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COMMONS ON INSTITUTIONAL ECONOMICS

Institutional Economics is a militant sage's summing up of his lifetime's thinking. Despite the author's disavowal of discoveries, it is a highly original book—the product of a stubbornly independent mind, developed by intense strivings with problems of social behavior. Happily that mind has given an account of itself: *Myself,* by John R. Commons, reveals the author's personality and sketches his rich experience. Readers will get more profit and more pleasure from the nine-hundred page treatise if they start with the two-hundred page autobiography.[1]

I

As a boy John Commons found difficulty in acquiring knowledge at second hand from school books. His was not a docile mind; he could not cram for examinations. Always he had to find out facts for himself and to think out the relations among his findings. As a college instructor he failed when he tried to give systematic courses. He was essentially an investigator; an investigator who observed man's theories as carefully as he observed their actions. He talked with people of all sorts and he ransacked libraries. The theories collected from books required as much working over as the theories collected from conversations; both sets had to be thought out afresh to find what they really meant. All the materials and products of this smelting process—the formulation of his problems, the facts and theories that he observed, the interpretations that he offered, the solutions that he found—came to bear the imprint of John R. Commons.

That compound of scepticism and curiosity was the son of a Quaker father whose family had left North Carolina because they hated slavery and of a Presbyterian mother whose family came from Vermont. The two met on the Ohio-Indiana line where John Rogers was born in 1862 and named after the martyr burned in "Bloody Mary's" reign. The elder John Commons developed a discursive interest in the world at large. He read Shakespeare, Darwin and Herbert Spencer; he drifted away from the Quaker assembly, talked politics endlessly and acquired by swapping a country newspaper which he could not make pay. The family responsibilities fell

[1] *Institutional Economics, Its Place in Political Economy,* John R. Commons, New York, Macmillan, 1934, pp. xiv, 921. *Myself,* John R. Commons, New York, Macmillan, 1934, pp. x, 201.

to the strict Puritan mother, who had graduated from Oberlin College and who wished to make her eldest son a minister. With that ambition she sent John to Oberlin when he was twenty, following the next year with her two younger children and taking boarders to pay for their education. The boys had picked up printing in their father's shop and supplemented the family income by setting type both in term times and during vacations. The double burden of study and earning overtaxed John's strength. He suffered nervous breakdowns, took six years to graduate and had a poor record at that. But he won the confidence of his teachers.

A thousand-dollar loan from two Oberlin trustees made possible graduate work at Johns Hopkins. There the youth met Richard T. Ely and learned that economics might include much more than the deductive analysis he had been taught in Oberlin. But his academic work did not prosper. Failure in a history examination spoiled his chances of a fellowship, a third year of study and a doctor's degree. Yet his teachers again showed faith in the ultimate success of this unconventional student, and got him an instructorship at Wesleyan. Another failure resulted. His effort to teach in the standard fashion satisfied no one, and Commons was dropped at the end of the year. That did not dismay him, for he had learned to teach in his own way; thereafter he used whatever he happened to be investigating as material for his classes, "regardless of logical sequence in a course of lectures."

Oberlin took him back for a year; he passed on to Indiana for three and then to Syracuse for four years. At Syracuse he taught anthropology, criminology, charity organization, taxation, political economy and municipal government. He took his students into the field and learned with them a surprising variety of things about contemporary life. But he also acquired the reputation of being a "radical." Chancellor Day told him that expected contributors refused gifts to Syracuse because he taught there. The trustees did not discharge him; they quietly abolished his chair. In public the Chancellor "bewailed the loss of one of their ablest and most popular professors." Commons drew two inferences: "It was not religion, it was capitalism, that governed Christian colleges." Wealth had a double meaning, "*holding* something useful for one's own use and exchange," and "*withholding* from others what they need but do not own."

Never again did he seek an academic position. To meet his craving for first-hand investigation and to give his family a meager support, research jobs turned up one after another. George H. Shibley, a bimetallist with money, financed Commons and N. I. Stone while they compiled a weekly index number of prices at wholesale covering a long stretch of years. The first figures were published in July, 1900. Prices were falling and the index made good campaign material for Bryan. But the decline stopped in August. Shibley telegraphed that the figures must be wrong. Commons and Stone could find no error. In the first week of September the index rose and

Shibley cancelled the contract within twenty-four hours. That mattered little; for E. Dana Durand asked Commons to finish a report on immigration for the United States Industrial Commission, and later to help in preparing the *Final Report.* This job brought close associations with Marxian socialists, with a flamboyant capitalist who hated the Standard Oil Company, and with an able staff of investigators, whom Commons calls the first "brain trust." Next, Ralph M. Easley took him into the National Civic Federation —that well-meant attempt to solve social problems by getting the leaders of capital and labor to sit down together. Easley dealt with capital through Marcus A. Hanna; Commons dealt with labor through the chiefs of great unions. In 1903 the Department of Labor gave him four helpers to investigate the restrictions and regulations of output by capital and labor. This was the last of his casual jobs; for Professor Ely had been "working up" a position for him at the University of Wisconsin, and in the summer of 1904 Commons came into his own.

Seldom have a man and an opportunity been better mated. Under the leadership of Governor LaFollette, Wisconsin was ready to experiment with social legislation. The state expected the university to serve the people in more ways than by giving college educations to a limited number of its sons and daughters. Commons had learned much about the cantankerous nature of man, the frictions and the wastes of modern life. He thought that the pursuit of self-interest produced efficient coöperation only when some social authority existed to judge and to enforce proper practices. What practices are proper in different types of transactions must be found out by studying practical experience. What forms and powers the judging and enforcing authority should have also depend upon the type of transaction. To produce satisfactory coöperation, both the practices and the social authorities should develop with changes in economic conditions. Like the Wisconsin "progressives," Commons wanted "to save capitalism by making it good" (*Myself,* p. 143). He was tireless in finding facts, he was ingenious in inventing devices, he knew how to deal with men of different occupations and prejudices. In short, he was admirably fitted to become a designer of social legislation for a "progressive" party.

The story of Professor Commons's contribution to the social legislation of his state is too long to tell. He drafted the civil service law in 1904-5; helped to shape the extension of public-utility regulation into the municipal and inter-urban field; got himself investigated by the Progressives for promoting a small-loan law that authorized interest at 3½ per cent a month; suggested the Wisconsin Industrial Commission, served two years as one of the commissioners, and capped his service with the Wisconsin Unemployment Reserves law of 1932. Meanwhile he had shared in the National Civic Federation's study of municipal ownership in Great Britain and America, in the Pittsburgh Survey of 1906, in the United States Industrial

Relations Commission of 1913-15, and in the Pittsburgh-plus case of 1923. He had taken up monetary problems after the war and collaborated with Congressman Strong in preparing a banking bill that aimed at stabilizing prices. Also he had trained graduate students year after year by making them participate in his successive investigations. With the help of several co-workers he had compiled *A Documentary History of American Industrial Society* in ten volumes and written a *History of Labour in the United States* in two volumes to which a third will be added this year. Besides his books published before going to Wisconsin, *The Distribution of Wealth, Social Reform and the Church,* and *Proportional Representation,* he had written six volumes dealing with various aspects of industrial problems, a learned treatise upon the *Legal Foundations of Capitalism,* and two dozen papers in technical journals.

Such in brief was Professor Commons's preparation for writing *Institutional Economics.* Few indeed are the men who combine intimate and varied experiences in practical affairs with so much experience in using ideas.

II

The fundamental convictions which Commons drew from experience were that men are mutually dependent creatures who must coöperate with one another; that the scarcity of goods gives rise to private property and to conflicts of individual interests; that collective action is necessary to decide these conflicts and to create a new harmony of interests, or to establish at least the modicum of order required for coöperation.

Collective control, then, is essential to economic life. It is exercised by the sovereign, primarily through the courts. Such control is found in all societies, though in a well-ordered state it works so unobtrusively most of the time that economic theorists have given it scant attention.

It follows that the unit of economic investigation must be a unit that combines the three constituents of dependence, conflict and order established by social control. This unit is a *transaction.*

> Transactions . . . are not the "exchange of commodities," in the physical sense of "delivery," they are the alienation and acquisition, between individuals, of the *rights* of future ownership of physical things, as determined by the collective working rules of society (*Institutional Economics,* p. 58).

There are three types of transactions. Economists have concentrated their attention upon one type only, bargaining transactions, and have simplified unduly their presentation even of that type. In a bargain there are never just two parties exchanging goods; always in the background influencing the bargain and sometimes coming into the foreground, are a second potential buyer, a second potential seller, and a ruling authority ready to decide disputes. In the second type, managerial transactions, there are three

parties: a legal superior giving orders to a legal inferior—for example, a factory superintendent and a foreman, or a foreman and a laborer, or a sheriff and a citizen—plus the controlling authority in the background. Also in the third type, rationing transactions, there are three parties—a superior, an inferior and a court—but here the superior is a collective body or its official spokesman prorating burdens or benefits among inferiors. Examples are a government apportioning taxes, a trade union collecting dues from and making disbursements to its members, the directors of a corporation levying assessments upon the stockholders or declaring dividends.

These three units of activity exhaust all the activities of the science of economics. Bargaining transactions *transfer ownership* of wealth by voluntary agreement between legal equals. Managerial transactions *create wealth* by commands of legal superiors. Rationing transactions apportion the burdens and benefits of wealth creation by the *dictation* of legal superiors (p. 68).

The three types of transactions are brought together in a larger unit of economic investigation which is called a *going concern*.

A going concern is a joint expectation of beneficial bargaining, managerial and rationing transactions, kept together by "working rules" and by control of the changeable strategic or "limiting" factors which are expected to control the others (p. 58).

It is these going concerns, with the working rules that keep them agoing, all the way from the family, the corporation, the trade union, the trade association, up to the state itself, that we name Institutions. . . . we may define an institution as Collective Action in Control of Individual Action (p. 69).

All the activities of going concerns look to the future.

. . . the persuasions or coercions of bargaining transactions, the commands and obedience of managerial transactions, and the arguments and pleadings of rationing transactions . . . will ultimately determine production and consumption. In these negotiations and decisions, which are of the essence of institutional economics, it is always *future* production and *future* consumption that are at stake, because the negotiations determine the legal control which must precede physical control (p. 7).

This conception of economic activities carries with it psychological conceptions different from those with which most economists have worked. Man is an active creature who forms plans and strives to carry them out. His mind-body is

a *creative* agency looking towards the future and manipulating the external world and other people in view of expected consequences (p. 17).

The mind is an "organizer of impressions." It

does not wait for impressions, it is continually looking for them, breaking them up into parts, and reconstructing them into new feelings. Those new feelings are . . . active beliefs reaching forward for future action. It is this relation of the part to the whole and of the past experience to future expectations that becomes the psychology of our transactions and going concerns (p. 153).

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Repetition of similar experiences makes it possible to test different modes of action by trial and error, to select those modes that seem most satisfactory, and to test ideas about physical phenomena or human behavior. From repetition arise habits and customs which conserve the lessons of past experience and provide a basis for future expectations.

> Habit is repetition by one person. Custom is repetition by the continuing group of changing persons. It has a coercive effect on individuals . . . (p. 155).

Among the most significant of customs are those investigated by economics, the working rules laid down by collective action for the conduct of the transactions among individuals belonging to going concerns.

These I take to be the basic ideas of institutional economics according to Professor Commons.

III

Had some other man grasped these ideas vividly he might have contented himself with working out a logical treatise having little reference to the history of institutions or the evolution of economic doctrines. Not so our indefatigable investigator. To him institutional economics is an evolutionary science. It

> consists partly in going back through the court decisions of several hundred years, wherein collective action, not only by legislation but also by common-law decisions interpreting the legislation (culminating in the common-law method of the Supreme Court of the United States), takes over, by means of these decisions, the customs of business or labor, and enforces or restrains individual action, wherever it seems to the Court favorable or unfavorable to the public interest and private rights . . . [It] consists in going back through the writings of economists from John Locke to the Twentieth Century, to discover wherein they have or have not introduced collective action (p. 5).

The first of these laborious tasks was performed in *Legal Foundations of Capitalism,* published in 1924; the second is performed in *Institutional Economics* published a decade later. Since the two books should be read together, I must recall the content of the first before dealing more fully with the second.[2]

IV

Capitalism evolved slowly out of feudalism by the rise of novel practices, the exfoliation of concepts, and the formulation of new working rules by the courts, which judged what practices were beneficial under changing conditions and devised ways of legalizing them.

Under William the Conqueror, the king's property was not distinguished from his sovereignty; there were local customs on every manor, but there was no common law of the realm; the tenants of the king and the villeins

[2] For a less condensed statement, see "Commons on the Legal Foundations of Capitalism" by the present writer, *American Economic Review,* June, 1924, vol. xiv, pp. 240-253.

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on a manor owed personal services to their lords; use values dominated economic life; there was little exchanging and that little was mainly by barter. All these conditions had to undergo fundamental changes before there could come into being a system of "production for the use of others and acquisition for the use of self."

The idea of property in land was gradually separated from the idea of sovereignty by commuting the obligation of rendering military service to the king into the obligation of making money payments to him. The king substituted his own army for the retainers of his tenants and made his sovereign power indisputable; but the tenant got a clear title to his land and could buy or sell as he saw fit. By sending his circuit judges to hold court in the counties, Henry II laid the basis for the common law; for the king's court could take cases out of the manorial courts and refuse to recognize local customs of which they disapproved. Commutation of labor dues into money payments helped to clarify and standardize the rights of the small man; it gave him control over his own time and a wider range of choice. When prices rose in the sixteenth century, new courts were created to which even villeins had access; and these courts adopted the rule that the landlord could not alter at will the customs by which lands were held. Money proved a solvent of ideas and an instrument of economic liberty in these humbler dealings as well as in the dealings of the king with his magnates.

Meanwhile capitalism was getting its start among the traders and later among the artisans of the towns which were for a time "islands of money economy in a sea of barter." The gilds secured charters from feudal superiors, largely by purchase, and were empowered to make and enforce their own working rules. But their increasing power brought the gilds into conflict with the common law. Late in the sixteenth century the king's courts ventured to condemn by-laws that established monopolies, even though the by-laws rested upon charters granted by the crown. Later the courts took over the constructive task of working out common rules of fair competition and enforcement of contracts. The promissory note was legalized; the law of copyright and of patents recognized that property rights covered not only physical things but also expected profits from business dealings. Common law that deals with physical things and punishes after the event was supplemented by equity that deals with intangible values and commands, before the event, the actions on which values depend.

These gradual achievements of English law were taken over by the American courts, though Professor Commons thinks that the lag between changes in business practice and changes in legal theory has been longer in the younger country. Not until about 1900 did our Supreme Court definitely recognize intangible property. And one important type of bargain still lacks a satisfactory set of working rules. Labor is not a commodity or a

promise; the laborer is free to quit at will and the employer to lay him off at any time. The courts could not maintain the personal liberty of the worker if they assimilated the wage contract with other contracts. The legally anomalous position in which that contract stands has been made more anomalous still by the intervention of trade unions, which have thrust themselves as third parties between employer and employee.

> Apparently a "new equity" is needed—an equity that will protect the job as the older equity protected the business (*Legal Foundations of Capitalism,* p. 307).

Of this development Professor Commons could descry merely the beginnings in 1924 as the courts in their deliberate fashion were taking cognizance of the practices that were developing in dealings between employers and organized labor.

V

What *Legal Foundations of Capitalism* essays to do for court decisions, *Institutional Economics* essays to do for economic concepts. Professor Commons can see nothing new in his analysis.

> Everything herein can be found in the work of outstanding economists for two hundred years. It is only a somewhat different point of view (*Institutional Economics,* p. 8). The problem now is not to create a different kind of economics —"institutional" economics—divorced from preceding schools, but how to give to collective action, in all its varieties, its due place throughout economic theory (p. 5).
>
> Each idea here incorporated is traced back to its originator, and then the successive modifications of that idea are developed and the earlier double or treble meanings of the idea are separated, until each, as a single meaning, is combined with the others in what I conceive to be the Science of Political Economy as it is developing since the last Great War (preface).

It is this attempt to make institutional economics a history of the exfoliation of theoretical concepts that makes the book so long, so formidable to the layman, and so difficult to summarize. The advantage of this mode of treatment is that

> every student of political economy repeats in his own mind the historical evolution of the schools, and a study of the history of economic theory is not an academic curiosity—it is a recapitulation of the evolution of our own thinking (p. 260).

Doubtless the candid reader will agree that he began "his working life as a Mercantilist" and arrived at more penetrating insights by degrees. But he may not now attach much importance to his early errors, and a book that recapitulates the tortuous process of his own thinking may tax his patience. He may feel that the ripe scholar who writes this book has much in common with the young instructor who failed when he tried to give a systematic course of lectures at Wesleyan in 1890. But the discursive writer of today is also the teacher who became keenly stimulating when he began

to make his students participate in his own investigations. That is the opportunity which Professor Commons offers in *Institutional Economics*. The reader must do his own systematizing of the rich materials put before him; but the result will amply reward the effort.

VI

Starting with Locke's *Essay concerning Human Understanding*, Commons traces the conception of the mind as a recipient of sensations and an organizer of ideas, through Hume's distintegrating scepticism, to the "scientific" pragmatism of Charles S. Pierce and the pragmatic ethics of John Dewey. On parallel lines, he traces the concepts of the interdependence of men, the conflict of individual interests, and the basis of social order from Locke's *Two Treatises on Civil Government*, through the writings of Hume, Quesnay, Adam Smith, Blackstone and Bentham, to the idea of "reasonable value" worked out by the Supreme Court of the United States. He sets forth the "intellectualist fallacy" committed by the "Eighteenth Century Age of Reason," which he contrasts with the "Age of Passion and Stupidity" proclaimed by Malthus. For his own part, Commons follows Malthus rather than the ruling dynasts from Smith and Bentham to Herbert Spencer. But he prefers to speak of

> Custom . . . instead of passion and stupidity, in order to avoid invidious reflections and to allow for a slow infiltration of reason provoked by uncomfortable experiences (p. 846).

Efficiency and Scarcity have a chapter to themselves as well as many casual passages before and after.

> Scarcity is primarily distinguishable as power over others, and efficiency as power over nature (p. 387).

The conflict between engineering and business centers in the difference between these inseparables. Efficiency is the theme of engineering economics, which deals with the relations of man to nature, with the physical input and output of industrial processes, with use values. Scarcity is the theme of institutional economics, which deals with the relations of man to man, with pecuniary outgo and income, with scarcity values. Smith and Ricardo took wants for granted and explained values by scarcity; but the former traced scarcity to man's reluctance to undergo labor-pain, while the latter traced scarcity to the limitations of labor-power. The Austrians eliminated both labor-pain and labor-power as causes of scarcity by assuming that man has attained a "pleasure economy"; they made the diminishing intensity of consumer wants the decisive variable.

> Marshall coördinated the two schools by introducing the relativistic concept of changing ratios between . . . the quantities wanted by consumers (buyers) and the quantities supplied by producers (sellers)—both of which were variable independently on their own account (p. 386).

This familiar interpretation of the evolution of value theory is intertwined with an analysis of the concept of wealth. From John Locke to Alfred Marshall that term carried a double meaning: physical objects and their ownership. It was tacitly assumed that everything valuable is owned, that ownership varies exactly with the quantities of materials owned, that production can be identified with selling and consumption with buying, that exchange is both a transfer of physical objects and a transfer of legal control. Observation of actual processes shows the inaccuracy of these assumptions. Ownership, in the economically important sense of value owned, varies with prices as well as with quantities of materials; producers do not always succeed in selling; there are transfers of legal control without transfer of physical objects. Hence institutional economics must improve upon the organization of orthodox economics. It must incorporate the theory of money and credit in its discussion of value. It must make the theory of business cycles an integral part of its account of modern processes, trying to show how difficulties in selling at remunerative prices prevent men from producing as large a national dividend as technology and natural resources make possible. So also, institutional economics must supplement the concept of corporeal property by the concepts of incorporeal property or negotiable debts, and intangible property or "the right to fix prices by withholding from others what they need but do not own" (p. 3).

Still another variable that institutional economics must recognize is the principle of futurity, separable in thought, but inseparable in fact, from the principles of scarcity and efficiency.

> The concept of Time, in economic science distinguished from physical science, has shifted from the *past* time of classical and communistic theory, into the *present* time of hedonistic theory, until it is becoming the *future* time of waiting, risking, purpose, and planning. These are the problems of Futurity, another economic "force," not found in the physical sciences, but nevertheless approximately measurable in all the diversities of reasonable value (p. 389).

The long chapter on futurity starts with debts. The large significance of that theme Professor Commons sets forth in a characteristic passage:

> When the science of Political Economy began to emerge in the Eighteenth Century, it fell in line with the theory, then dominant, of an original state of liberty and rationality of human beings. . . . These theories of liberty and rationality accomplished extraordinary results in overthrowing absolute monarchies, abolishing slavery, and establishing universal education. But it was not because they were historically true—it was because they set up ideals for the future. Historically it is more accurate to say that the bulk of mankind lived in a state of unreleasable debts, and that liberty came by gradually substituting releasable debts. And historically it is more accurate to say, as Malthus said, that man is originally a being of passion and stupidity for whom liberty and reason are a matter of the slow evolution of moral character and the discipline enforced by government (p. 390).

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Prior to the sixteenth century, only landlords and wealthy people could make contracts that the common-law courts would enforce. Merchants based their deals with one another on "parol" contracts. As trade expanded in volume and grew impersonal, it became necessary to give these contracts legal standing. The lawyers accomplished that desideratum very simply: they assumed that the person who received goods did so with intent to pay, and so virtually accepted a debt which he must discharge—a rule that still suffices to establish obligations between brokers on stock exchanges. The next step was to make merchants' debts, now legally enforceable, also negotiable. The foundation of the law of negotiable instruments was laid in the seventeenth century. Thus "incorporeal" property in the form of debts had become a factor of considerable consequence in economic life before Adam Smith was born. But the classical economists were so much concerned with material goods, so intent upon showing that money and all that sprang from it was a mere instrument of convenience, that they paid little attention to these legal claims of one set of people upon property in the hands of a second set. It remained for the lawyer-economist H. D. MacLeod in 1856 to recognize that "a debt is a saleable commodity" and to analyze the relationship of the debt market to commodity markets.

This insight into a neglected problem proved extraordinarily stimulating, and gave rise to much of the acutest analysis of later decades.

> Sidgwick's distinction of the money market and capital market (1883); Wicksell's world debt-paying community (1898); Cassel's scarcity of waiting (1903); Knapp's release of debt (1905); Hawtrey's creation of debt (1919); and Fisher's over-indebtedness and depressions (1932) . . . were all developed out of MacLeod's writings (p. 396).

Commons's critical exposition of these ideas leads to a discussion of how "banker capitalism" can be made to function steadily. Left to itself, this form of economic organization tends to run now faster, now slower, in a rough rhythm. Business activity depends upon the prospects of profits as seen by business men and gathers speed when these prospects are deemed bright. If the profits anticipated are to be realized, consumers must be able to buy the goods produced for them and to pay prices that include a margin above cost. But consumers' demands are limited by the money incomes they have already received, mainly from business enterprises, as wages, rent, interest or profits. Business demands, on the other hand, are limited by the indefinite quantity of purchasing power that may be created for them outright, or transferred from savings, by the banks. And the banks, like the borrowing business men, keep their eyes fixed upon future profits. Thus,

> The institution of credit is the biggest factor which enables the business man to buy *more* when prices are rising, whereas the consumer buys *less* when prices are rising; and the institution of credit is the biggest factor which *compels* the business man to buy *less* when prices are falling, whereas the consumer, since he does not do business on future sales, buys *more* when prices have fallen (p. 560).

I think that these statements concerning the cyclical behavior of consumers' purchases are inaccurate; but let that pass. Professor Commons is certainly right in bringing all the factors mentioned into the business-cycle problem. He goes on to demonstrate admirably that the profit margins, on which so much depends, are very narrow.

> If any one of the cost prices rises one or two per cent, the margin for profit may be reduced 10 to 30 times as much (p. 587).

It seems, then, that the working of the whole system can be altered by making minor changes in any of the many costs of doing business. This fact points the way toward a possible social control over business cycles.

Wicksell taught that central-bank discount rates are the most promising instrument to use for this purpose. To make that instrument effective, he proposed "world-wide monopolistic concerted action of central banks." Experience has shown that this mode of control, while effective in checking booms, is not effective in relieving severe depressions.

> With the modern very narrow margins for profit, very few industries could continue on a world-wide bank rate of 10 per cent, whereas it is obvious that a bank rate as low as one per cent could not, of itself, stimulate an inflation of prices, if risk is unfavorable (p. 610).

The risk-discount, to which Irving Fisher has called attention, "is the most important factor in present valuation" (p. 609). It declines in the expansion phase of business cycles and rises in the contraction phase. Bank rates can be put high enough to offset the fall of risk-discounts during booms, but not low enough to offset the rise of risk-discounts during depressions.

Hence, a more direct method of control must be resorted to, if we are to have managed revivals.

> In order to create the *consumer demand,* on which business depends for sales, the government itself must create the new money and go completely over the head of the entire banking system by paying it out directly to the unemployed, either as relief or for construction of public works, as it does in times of war. Besides, this new money must also go to the farmers, the business establishments, and practically all enterprises, as well as to wage-earners, for it is all of them together that make up the total of consumer demand (pp. 589, 590).

"Reasonable value," like scarcity, efficiency and futurity, crops up for discussion in many earlier passages and then has a chapter all its own. To Commons, reasonable value is a theory of intangible property developed by the Supreme Court of the United States since 1890. Its characteristic features are made clear by contrasts with the rival theory of intangible property developed about the same time by Thorstein Veblen.

> Veblen took as the source of his materials the testimony of industrial and financial magnates before the United States Industrial Commission of 1901 (p. 649).

He found that these men were using a concept of property unrecognized by economists, namely, the present value of their future bargaining power. Through their legal control over the means of production, the captains of industry were able to prevent the community from producing goods except on terms profitable to themselves, and through the financial markets they could capitalize their prospects of profits, thus exploiting the community in years to come.

But during the years when Veblen was developing his scientific analysis of what the greater business men were doing, the Supreme Court was attacking the problem in a purposive fashion. The Court recognized property rights in prospective profits, but gradually developed criteria for judging what profits a corporation might be allowed to expect—criteria that are summed up in its doctrine of reasonable value.

The court was beginning to distinguish, as Veblen did not,

> between good-will and privilege, good-will being the reasonable exercise of the power to withhold, and privilege being the unreasonable exercise of that power (p. 673).
>
> ... the administrative machinery for research in ascertaining reasonable value ... did not begin until the powers of the Interstate Commerce Commission were extended in 1908, followed by hundreds of state commissions on fair competition, reasonable discriminations, and reasonable values, as well as by industrial commissions after 1911, the latter to ascertain reasonable relations in the conflicts of capital and labor.
>
> Also, the movement towards scientific management had only just begun [when Veblen was doing his pioneer work], and a professional class devoted to ascertaining and installing reasonable conditions in all the parts of managerial transactions had not yet begun to find itself.
>
> Other applications of the principles of intangible property, especially the stabilization of prices, had not yet even been thought of, much less the administrative machinery to be devised (*sic*) (p. 676).

Since the war, considerable progress has been made in these various directions and Commons expects the future to bring higher standards of what is reasonable in bargaining, managerial and rationing transactions, and more effective social control for enforcing reasonable practices.

He draws a lesson for economics from the two theories of intangible property. It ought to take the constructive, purposive attitude of the courts in its explanation of institutional growth, instead of the purely objective attitude of physical science that was professed by Veblen.[3]

[3] In this connection, Professor Commons becomes momentarily confused. Veblen, he says, considered that science is "matter-of-fact" science, arising from the modern inventions of machinery, wherein the scientist eliminates all of the older ideas of purpose or "animism" contained in the concepts of alchemy, or divination, and adopts merely the ideas of "consecutive change," or "process," which has no "causation" and no "final end" or "purpose."

> If this is so [Commons comments], then there is no science of human nature. Science becames only the physical sciences (p. 654).

He proceeds to argue that institutional economics is concerned precisely with human

The reason is not that the economist should be more keen to "do good" than a physical-chemist, but that the problems of social behavior contain elements not present in problems of physical chemistry. The "Will-in-action, guided by purpose and expectation" (p. 648), is a cardinal factor in the behavior of all individuals, including Supreme Court justices. In so far as action is purposive, causation runs from the future back to the present; not from the past forward to the present. One cannot understand what men do, if he treats them as he would treat molecules, leaving their expectations, valuations and purposes out of account. Concepts like reasonable value play as definite a rôle in shaping institutions as does the difference between the cultural incidence of machine tending and money making, which Veblen taught us to see. Even if the economist remains an aloof spectator of social processes, with no itch to modify them, he must not leave human purposes out of his explanations.

John Commons is both a theorist and a reformer—like Adam Smith, Malthus and Ricardo. And it is the reformer who winds up the chapter on reasonable value as follows:

> The theory of reasonable value may be summarized, in its pragmatic application, as a theory of social progress by means of personality controlled, liberated, and expanded by collective action. It is not individualism, it is institutionalized personality. Its tacit or habitual assumptions are the continuance of the capitalist system based on private property and profits. It is fitted to a Malthusian concept of human nature, starting from the passion, stupidity, and ignorance whereby mankind does the opposite of what reason and rationality would prescribe, and ending in an admiration for the individual who, by initiative, persistence, taking risks, and assuming obligations to others, rises to leadership.
>
> Unregulated profit-seeking drags the conscientious down towards the level of the least conscientious; yet a considerable minority is always above that level, no matter how high it may have been raised by collective action. These indicate the possibility of progress.
>
> The problem, then, is the limited one of investigating the working rules of collective action which bring reluctant individuals up to, not an impracticable

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purposes as summed up in "worldly wisdom"—a mental attitude which Veblen regards as "at cross-purposes with the disinterested scientific spirit."

Of course, Veblen did not conceive human beings as devoid of purpose. Commons himself presently recognizes that the "instinct of workmanship" brings purpose into the foreground of behavior (p. 661). That was not the only instinct with which Veblen endowed mankind, and all instincts are purposive. His chief criticism of hedonism is that it pictures men as passive creatures, controlled by the pleasure-pain forces which impinge upon them.

What Veblen was driving at is that science assumes no purposes in "nature," or in "the course of events" outside of man. In dealing with human behavior, he tries to give an account of human purposes in terms of an evolutionary process of natural selection. For those purposes are an evolutionary product and so can be explained in the same fashion as man's opposable thumb. The scientist should refrain, so far as is possible for such a purposeful creature as man, from mixing his own purposes into his explanations of cumulative changes in the purposes of others. That rule of intellectual honesty Commons accepts in principle and practices with indifferent success, like Veblen and the rest of us.

ideal, but a reasonable idealism, because it is already demonstrated to be practicable by the progressive minority under existing conditions. . . .

If the profit-motive, in the field of economics, can be enlisted in the program of social welfare, then a dynamic factor, more constructive than all others, is enlisted. It is an appeal to the business man to get rich by making others rich, and, if he does not respond, then to appeal to collective action (*sic*) (pp. 874, 875).

Commons is by no means certain, however, that the courts, industrial commissions, scientific managers, monetary reformers and their colleagues will succeed in saving capitalism by making it good. He devotes his last chapter to the characteristics and prospects of the three forms of economic organization that dominate the world today—capitalism, fascism and communism. What the future holds in store he makes no pretense of knowing. Nor is he sure which form of organization is to be preferred by the mass of mankind.

. . . it is doubtful whether, under modern conditions, a decision can be reached as to which is the better public policy—the Communism of Russia, the Fascism of Italy, or the Banker Capitalism of the United States. In the two European systems . . . liberty is suppressed and the intellectuals . . . are eliminated, not merely because they are physically suppressed but because individual originality and genius cannot thrive in a nation of fear.

Yet these are a small fraction of the population. The overwhelming majority are manual and clerical workers. . . . To them liberty is an illusion under institutions which demoralize them on the upturn of prices, pauperize them on the downturn, and coerce them by lack of jobs. They do not miss liberty if Communism or Fascism gives them security at low wages.

Likewise with the personal thrift which became the basis of . . . small capitalism. . . . The inflation and deflation of a twentieth-century Banker civilization scrapes off the cream of that individual proprietorship which hitherto had induced individual wage-earners and farmers to save, to economize, to take the risks which they had a chance to surmount, and to maintain the American Republic. . . .

If these thrifty individuals are eliminated from the capitalist civilization by becoming a proletariat of wage and salary earners, then it is probable that, for the overwhelming majority, a communist or fascist dictatorship may be preferable to American Banker Capitalism. It will, no doubt, promptly eliminate academic liberty and a free press, but meanwhile the economists have, for the time being, a new equipment of experimental laboratories on three grand scales, in Russia, Italy and America, for a rough and tumble testing of their classical, hedonistic, and institutional theories (p. 903).

VII

One of the chief services that Professor Commons's treatise performs is to clarify the relations of "institutional economics" to what for lack of a better term is called "orthodox economics." The institutional type is often conceived to be a rival of and would-be substitute for the types of theory that derive from Ricardo, Menger, or Walras. The leading institutionalists may be partly responsible for that misapprehension. MacLeod, whom Com-

mons names the "originator" of institutional economics (p. 399), was an acrid controversialist, and Veblen explained the preconceptions that had prevented economics from becoming an evolutionary science as cultural lags. But whether one accepts Veblen's concept of an institution as a widely prevalent habit of thought, or Commons's concept that an institution is "collective action in control of individual action," he must acknowledge that the earlier masters of economic theory dealt with institutions at length. Certainly the mercantilism that Adam Smith condemned was an institution, or complex of institutions, on either definition, and so also was the "simple and obvious system of natural liberty" that Adam Smith praised; for his discussion of the duties of the sovereign makes it clear that there must be collective control over individual action even under a policy of laissez faire. The philosophical radicals talked explicitly about "bad institutions," showed marked ingenuity in devising paper schemes for "good institutions" and influenced powerfully the institutional development of England for three generations. Perhaps no other economist has stressed the importance of institutions in human history more incisively than did John Stuart Mill in his discussion of distribution. It certainly is not the choice of institutions as subject matter that differentiates "institutional" from other types of economics. The day must be close at hand when critics will begin to proclaim that economics has always been "institutional."

What did mark off Veblen's work from that of his predecessors was concentration upon the evolution of institutions, and the application to that problem of a fresh conception of human nature. Adam Smith, the philosophical radicals and later economists had analyzed the workings of contemporary institutions, had shown how these workings promoted or obstructed public welfare as they conceived it, and had argued that the bad institutions should be abolished to make way for good ones. Institutional change to them meant a process of "reform," based upon rational insight. In this respect I do not see that MacLeod differed as an institutionalist from Mill. Karl Marx is a fitter candidate for nomination as the "originator" of the later type of institutional economics; for he focused his attention upon the process of institutional change. But Marx retained substantially the conception of human nature that the philosophical radicals had elaborated, and his notion of institutional evolution reeked of Hegel's metaphysics.

Veblen was the first economist to present institutional evolution in terms of natural selection, and his conception of human nature derived from Darwin and William James, not from Bentham. To him the proper way to explain existing institutions was in terms of the cumulative changes in ways of making a living. He took that factor to be of chief importance in forming the habits of thought prevailing in successive generations, because most men and women spend more of their time in getting a living than in any other activity. When he thought about the workings of contemporary

institutions, his interest centered in the changes that these great social habits are now undergoing. He was not concerned with the quasi-mechanical details of price determination, after demand schedules and supply schedules had been assumed. To him the significant problems of value were hidden from sight in these formal schedules. He asked, for example, why men desire obviously expensive goods and accomplishments however much discomfort their display may impose, and how a species of animals that owes its primacy to work can form the habit of thinking labor irksome.

Great as was the service that Veblen rendered by studying the evolution of institutions, it is clear that this theme does not constitute the whole of economics. The problems treated by orthodox theory are genuine problems, and the two sets of discussions should be put into such form that everyone can see how they supplement each another. For example, Veblen's analysis of the cultural incidence of the machine process and of business traffic takes for granted knowledge of how prices are fixed and of the bearing of prices upon the distribution of income. Every scheme of institutions has an implicit logic of its own, and it is not less important to know what that logic is than to know how the institutions came into being and what they are becoming. When Veblen's friend H. J. Davenport defined economics as the science that treats phenomena from the standpoint of price, and insisted that it must be written "from the private and acquisitive point of view," he was elaborating the logic of pecuniary institutions in much the same way that Euclid elaborated the logic of ideas about space. Though Davenport explicitly ruled cultural evolution out of economics, he was contributing toward the understanding of one set of institutions.

Professor Commons, as an institutionalist, takes this catholic point of view. Let me quote again one of his most characteristic statements:

> The problem now is not to create a different kind of economics—"institutional" economics—divorced from preceding schools, but how to give to collective action, in all its varieties, its due place throughout economic theory (p. 5).

Collective action, like Veblen's widely prevalent habits of thought, is the product of cumulative changes, and Commons studies its historical evolution with care; but he finds no difficulty in fitting the ideas of "orthodox" economists into his framework. On the contrary, the evolving ideas of economic theorists help him to elucidate the evolution of collective action. Study of institutional change taught him, as it had taught Veblen, to eschew the intellectualist fallacy; but Commons found the traits of human nature that are basic for his purposes summed up by Malthus. Veblen took a whimsical pleasure in making orthodox economics appear in the light of his work-a-day world as airy rationalizings, spun from conceptions that live below the threshold of consciousness and that wither in the light of common day. Commons goes to the opposite extreme. Having spent a lifetime in trying

to get men to coöperate in his reforms, he is temperamentally inclined to minimize the element of novelty in his thinking and to magnify the insight of his predecessors.

VIII

No man can cover the field of institutional economics, however keen his insight and however persistent his industry. Commons's largest contribution to our knowledge concerns a specific form of collective control over individual action—that exercised by the courts. As he points out, this field Veblen did not cultivate. *Legal Foundations of Capitalism* is one of the most suggestive contributions to social history made in this generation. Repeating what is needful from the earlier volume, *Institutional Economics* sets forth the stellar rôle that judicial process plays in the present scheme of things in the United States. To perform that task thoroughly, Professor Commons has to clear the way by sketching men's developing conception of human nature, and the gradual discovery that social coöperation rests, not upon a divinely appointed or a "natural" harmony of interests, but upon a state of order that men learn to establish among themselves. This order must control the conflicts among individuals arising from the scarcity of goods, and it must provide for the organized coöperation indispensable to efficiency. The individuals whose clashing interests must be controlled and whose mutual interdependence must be organized are creatures of passion and stupidity, but creatures who can plan. In their planning, expectations of the future are the controlling factor. These expectations gradually come to be the dominant form of property, the center of clashing interests and the crux of interdependence. At this stage of institutional evolution, the courts are forced to develop a doctrine of reasonable value that includes the "principles" of scarcity, efficiency and futurity in a scheme of collective control adapted to the rapidly changing needs of the day.

This brief summary of the theme, and even the fuller statements in the preceding pages, show only the skeleton of a living book. It shares the vitality of the author's career. His interest in economics has the driving force that characterized the work of Malthus and Ricardo and that declined as "political economy" turned into an academic discipline. *Institutional Economics* is the fitting crown of a real investigator's life, and it should be an incitement to other investigators to follow the various leads that Professor Commons has given.

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TIME DEPOSITS AND PRICE STABILITY, 1922-1928

The failure of commodity prices in the United States to rise during the 1920's as a result of enormous imports of gold has been commonly attributed to the activity of the federal reserve system in sterilizing this gold. But such an explanation hardly fits the facts of large increases in the reserve balances and earning assets of member banks in this period. Although earning assets are not spendable deposits, their expansion by member banks gives rise to new spendable deposits. A large proportion of these new deposits, however, instead of being spent on commodities became sterilized in time deposits. This growth in time deposits was in part the result of banks' investing in bonds, secured loans, and real estate loans instead of the more orthodox loans. The existence of such a reservoir into and out of which large sums of spendable funds may be moved at the will of the public creates certain difficulties for the central banking authorities who would control the price level.

The failure of gold imports of one and one-half billion dollars into the United States during the five years following 1920—an increase in the country's monetary gold stock of more than 50 per cent—to produce a rise in the index of wholesale commodity prices in compliance with economic theory and pre-war experience has commonly been attributed to the credit policy of the federal reserve system. Sir Josiah Stamp, for example, in discussing possible price inflation in the United States in 1924 stated that

> The memories of 1920-1921 make the banking authorities exceedingly nervous. They accordingly have a "credit policy" which by a complex process keeps prices steady, partly by "sterilizing" the gold as it arrives, and acting as though it does not exist.[1]

It is not to be gainsaid that one objective of federal reserve policy after 1921 was business stability.[2] Open-market purchases and reductions in rediscount rates by the reserve banks in 1922, 1924, and 1927 were undertaken when business was just emerging from depression or showing signs of receding; and open-market sales and rediscount rate advances in 1923 and 1925, took place at times when business recovery had progressed to a point where it was feared that excesses were beginning to appear.

Banking statistics do not, however, support the view that these policies succeeded in sterilizing the gold in the sense that they prevented a sizable expansion of member bank credit. During 1921 member banks were enabled to reduce their dependency on federal reserve bank credit to the extent of nearly two billion dollars as a result of gold imports, an increase in treasury currency, and a return of currency from circulation.[3] From January, 1922, to January, 1927, member banks succeeded in increasing their reserve balances $536,000,000 despite the fact that reserve bank

[1] *London Observer*, Dec. 5, 1924; see also, J. M. Keynes, *A Tract on Monetary Reform*, p. 198.

[2] *Cf.* Federal Reserve Board, *Annual Report*, 1923, p. 9; A. C. Miller, "Federal Reserve Discount Policy and the Diversion of Credit into Speculative Channels," *Trust Companies*, 1925 (41), p. 590; S. E. Harris, *Twenty Years of Federal Reserve Policy*, vol. 1, ch. 4.

[3] Gold imports amounted to $749,000,000; treasury currency increased $219,000,000; and currency in circulation contracted $940,000,000.

credit outstanding dropped \$140,000,000 and currency in circulation increased \$376,000,000. Upon these additional reserves member banks expanded their earning assets nearly eight billion dollars, and by 1929 upon \$144,000,000 more reserves had expanded these assets nearly twelve billions, a total expansion of 50 per cent. Federal reserve operations certainly did not prevent a very large expansion of bank credit on these gold imports. To prevent this "primary expansion" the reserve banks would have had to sell a large proportion of their holdings of bills and securities.

The federal reserve banks, to be sure, did not indulge in "secondary expansion," *i.e.*, using this gold to add to their loans and investments, to anywhere near the extent that these added gold reserves made possible. But mere primary expansion permits a creation of credit against incoming gold fully as great as in pre-war days. The possibility of secondary expansion is due solely to the elasticity of the federal reserve system, designed not for ordinary use, but for emergencies. Moreover, the great increase in foreign short-term balances subject to sudden withdrawal in this country made such a secondary expansion unwise. The policy of paying out gold certificates into circulation and withdrawing federal reserve notes from circulation, too, has sometimes been regarded as a sterilizing process. But this does not result in reducing member bank reserve balances. The only effect of this procedure is to reduce the "gold show piece" of the federal reserve system.

It may be objected, however, that the increase of nearly twelve billion dollars in the loans and investments of member banks during the years 1922-1929 was of little importance because these assets are not purchasing power and cannot be spent. The real purchasing power is to be found in demand deposits, and these expanded only three and one-half billion dollars in the same seven years. Commodity prices did not rise because the increase in demand deposits was relatively small.

But can the failure of demand deposits to increase more be attributed to a restrictive policy of the reserve system? Although loans and investments are not purchasing power, they are the channels through which purchasing power in the form of demand deposits is put into circulation. When a bank buys bonds, or when it discounts paper for its customers, it gives the seller of the bonds or the borrower a credit balance in the form of a demand deposit. In either case, however, the newly-created deposit will not long remain undisturbed. The borrower has borrowed for a specific purpose, and will immediately check against his deposit, while the seller of securities will not wish to see his capital lying idle and will check against his deposit in order to re-invest his funds. As these deposits are passed on to others, they may be used in ways which cause the total loans and investments of the system of member banks to increase more rapidly than demand deposits. They may be used to pay off maturing bills held by the federal

reserve banks or to buy securities from the reserve banks (the result is the same when the bills or securities are purchased direct from the reserve banks by member banks: loans and investments increase but deposits do not); they may be used to draw currency into circulation; they may be used to increase the capital funds of member banks; or they may be transferred to time deposits. The fact that the increase in the loans and investments of member banks in these seven years was eight billion dollars more than the increase in demand deposits is to be explained in part by an increase of two billions in the capital, surplus, and undivided profits of these banks, but it is to be explained chiefly by an increase of six billions in their time deposits.

Time deposits differ much from demand deposits. Time deposits are idle, and do not generally circulate as such. They are purchasing power at the will of the depositor, but in order to be spent must usually be transformed into demand deposits or cash. They have a low velocity of circulation. Studies of the velocity of circulation of deposits in mutual savings banks and in savings departments of state banks in Massachusetts in 1924 and earlier years show that these deposits turn over on the average less than once a year. The same is true of Connecticut banks.[4] The Committee on Bank Reserves, on the other hand, is convinced that a significant portion of time deposits in metropolitan centers has considerable velocity.[5] However, the facts that the Federal Reserve Board has ruled that in order to be classed as time deposits open accounts and certificates of deposit may be withdrawn only on a certain date or after due notice has been given, in no case less than 30 days,[6] and that banks do not ordinarily pay interest on savings accounts withdrawn before the regular interest date, quarterly or semi-annually, make it impossible for time deposits to have anywhere near as high a velocity as demand deposits, the most important constituent of our circulating medium.

So while the banks in this period were increasing their loans and investments 50 per cent and thus pumping purchasing power into circulation, the effects of this added purchasing power on the general commodity price level were largely nullified by the actions of the public who, by withdrawing it from circulation and transferring it to time deposits, were disinclined to make the utmost use of it.[7] The effect of the growth of time

[4] *Savings Bank Journal*, Oct. and Dec., 1925.

[5] *Report*, 1931, p. 14.

[6] *Regulations, Series of 1930*, Reg. D, Sec. II, (c).

[7] See also John H. Williams, "Monetary Stability and the Gold Standard" in *Gold and Monetary Stabilization*, Harris Foundation Lectures, 1932, pp. 149-150; also, *Recent Economic Changes*, pp. 675-677, 706.

Although spending on a scale sufficiently great to cause a rise in prices did not take place in the commodity markets, such spending did occur in the securities and real estate markets where prices advanced markedly. But the commodity markets were not entirely unaffected by this credit expansion. Large purchases of foreign bonds made possible exports

deposits upon commodity prices was the same as if only a fraction of the twelve billions of bank credit had been created. The transference of funds to time deposits did result, however, in a greater expansion of bank credit than would otherwise have been possible because of the lower reserve requirements against time than against demand deposits, and these plentiful funds were undoubtedly a factor stimulating security speculation.[8]

The demand side of money has too commonly been neglected in monetary discussion. In discussing the relation of the quantity of money to prices, it has generally been reasoned that if the quantity of money is increased, other things remaining equal, prices will rise; and it has been implied that once money has found its way into circulation prices will rise because it is not likely that the velocity of circulation of money will decrease or that trade will increase as much as the quantity of money.[9] If only the quantity of money in circulation can be increased, prices must rise. Much of our recent monetary legislation has been conceived in such analysis.

This analysis fails to give sufficient consideration to the initial purposes for which the new deposits are created and to the uses which the public ultimately finds for these funds. While the great increase in time deposits in commercial banks after 1920 reflects an increase in national savings, the entrusting of a larger share of the uninvested savings of the nation to commercial banks, and a more complete segregation of demand and time deposits with changes in the practices of banks and in the habits of their depositors, it also reflects the changing character of bank investments. The chief economic function of commercial banks has generally been regarded as the furnishing of working capital to industry by lending to business men on short-term, self-liquidating paper, and before the war commercial paper of this sort comprised ostensibly by far the most important single item of earning assets of the commercial banks in this country. In the years after 1921, however, the portfolios of commercial banks took on a quite different complexion, as the following figures for all member banks show:

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on a huge scale, and the plentiful funds placed at the disposal of corporations and real estate developers by the banks stimulated building. Without this plentiful bank credit it is not unlikely that falling prices would have been experienced.

[8] It may be asked why funds which are deposited in a time or savings account are not re-invested by the bank, thus making these deposits active again. The answer is that reserves are required against time deposits as they are against demand deposits. If the banking system is loaned up to the limits of its reserves and the same reserve ratio is observed for time and demand deposits, a transfer of demand deposits to time deposits permits no further credit expansion. If, however, lower reserves are required for time than for demand deposits, as is the case in the United States, a transfer to time deposits releases a portion of the reserves and permits further expansion.

[9] *Cf.* Irving Fisher, *Elementary Principles of Economics*, pp. 240-257, and esp. pp. 242, 245; also F. W. Taussig, *Principles of Economics*, vol. 1, p. 237, 3rd ed.; but see a more guarded statement on p. 420. Exception must be made of J. M. Keynes in whose theory of the business cycle *(A Treatise on Money)* one of the distinguishing concepts is that holders of demand deposits may choose to give them up for savings accounts, thus, reducing the quantity of actively-circulating money. See also *ibid.*, vol. i, p. 171, footnote.

On June 30	Investments	Loans on securities	Loans on real est.	All other loans	Total loans & invests.
		(million dollars)			
1921	6,002	4,400	875	12,844	24,121
1922	7,017	4,500	1,100	11,565	24,182
1923	7,757	4,950	1,350	12,450	26,507
1924	7,963	5,350	1,575	12,279	27,167
1925	8,863	6,718	1,875	12,062	29,518
1926	9,123	7,321	2,161	12,579	31,184
1927	9,818	8,156	2,449	12,333	32,756
1928	10,758	9,068	2,624	12,611	35,061
1929	10,052	10,095	2,750	12,814	35,711
Actual Increase '21-'29	4,050	5,695	1,875	—30	11,950
Percentage Increase	67.	129.	214.	———	48.

Source: Hearings, S. Res. 71, 71st Congress, 3rd Session. p. 138.

Commercial loans, "all other" loans in the table, did not increase during the period despite the fact that it was generally a period of expanding trade and production. Business men, as a result of their unfortunate experiences in 1920-1921, were reluctant to become indebted to the banks. Improved delivery services, which enabled them to reduce somewhat their inventory requirements, and large profits and security markets willing to absorb almost unlimited amounts of new issues, which enabled business concerns to strengthen their cash accounts, made it possible for them to carry on an expanding business with less dependence upon bank loans. The lack of a demand from commercial borrowers, coupled with growing reserves, pushed down interest rates and forced the banks to seek new markets for their credit. What these new markets were may be readily ascertained from the foregoing figures. Bankers bought large amounts of bonds, and greatly increased their loans against real estate and securities. While commercial loans did not increase, member bank investment holdings increased 67 per cent, security loans 129 per cent, and real estate loans 214 per cent. In 1921 commercial loans constituted over one-half of total loans and investments; but by 1929 these loans had dropped to only slightly more than one-third of total loans and investments, and were only 25 per cent greater than each of investments and secured loans.

These changes which were taking place in the composition of bank assets in turn affected the character of bank deposits. When a bank makes a loan to a commercial enterprise, the resulting deposit is usually checked against immediately for the purpose either of buying goods from other business men or of paying employees. In either case the effect is to stimulate business activity. If banks continue to make loans until the productive resources of the community are fully employed, the inevitable result is a rise in com-

modity prices. Here a distinct correlation is traceable between growing demand deposits and the rise in the price level.

When a bank creates deposits for the purpose of purchasing securities, however, or when it creates deposits so that a customer may buy real estate or securities, the consequences may be quite different. Deposits are being created at a rate more rapid than the needs of trade demand, and in this case they are not being spent directly on commodities, with the consequent tendency to force up commodity prices. The bond which the bank buys or the securities which the customer buys with the borrowed funds are given up by some other investor who, believing that they are too high in price, may choose to liquidate his holdings. If such is the case, the erstwhile investor now has a deposit which he does not intend to use right away. One attractive use of this deposit is to carry it as a time or savings deposit on which he will receive a return much greater than on a demand deposit and which at the same time will be virtually as liquid as a demand deposit. Although the seller of the securities may spend the proceeds on consumption goods, the chances are that since he regards these funds as his capital, he will not do so, but will keep these capital funds intact.[10]

Furthermore, many corporations, influenced by the ease with which new issues could be marketed and spurred on by the possibility that money rates might turn upward, financed themselves in excess of their current requirements. While in many cases these excess funds were invested in short-term government issues and later in brokers' loans, frequently they were left on deposit with the banks and transferred to time accounts in order to take advantage of the higher interest rates. To the extent that this favorable situation in the security markets was brought about by the freedom with which the banks purchased bonds and lent their funds against collateral instead of by national savings, the policy of extending bank credit in these ways contributed directly to stimulating the growth of time deposits.

The processes by which newly created demand deposits may ultimately become time deposits are more complex than the foregoing discussion has suggested. While a study of the character of bank assets will give some indication of the initial use of the cognate deposits, once checks are drawn

[10] Secured loans may, to be sure, be merely a channel through which commercial loans are made to business enterprises. Business men of questionable credit-rating may be required to put up collateral in order to obtain bank credit. Also, corporations may obtain capital from the flotation of new security issues which are bought with funds borrowed from the banks. While a part of the increase in secured loans was due to such operations, particularly the latter, it seems likely from the rapid rise in security prices in the years after 1924 that a considerable portion of these loans was used for the turnover of outstanding securities.

The tendency for time deposits to increase relative to demand deposits in the Midland Bank after 1926 was attributed by the chairman of the bank to the fact that an increase in earning assets had taken the form largely of short-term loans to the money market and bills rather than advances to business. A high degree of liquidity was sought because expansion was the result of a reduced reserve ratio instead of an increase in reserves. *Midland Bank Monthly Review,* Jan.-Feb., 1929.

against these deposits transferring them to other individuals, they become merged with the general mass of deposits, the use of which is determined by the multitude of factors which shape the employment of its free funds by the community—the course of interest rates, the relation of savings to the demand for capital, and the choice made of investing free funds. If during a period of rapid expansion of bank credit many in the community are disposed to save a generous proportion of their incomes, if many who have command over these savings are disinclined to invest their funds, if banks offer attractive rates on time deposits, and if prices of investment securities are rising so that many are inclined to assume a "bear" position by selling their securities to others who are purchasing them with funds borrowed from the banks, an unusually large part of these new deposits may find its way into time deposits.

Such appears to have been the situation in the United States in the years 1922-1928, during which general commodity prices failed to rise despite heavy gold imports. To ascribe this failure of commodity prices to rise in the face of large additions to the monetary gold stock of the country, as economic theory and pre-war experience would lead us to expect, to a restrictive federal reserve policy is misleading because in every year of this period, except part of 1924, reserve bank credit outstanding averaged at least as high as in 1922. On the contrary, there was a large and rapid expansion of bank credit, as is evident from the loan and investment accounts of the member banks. The failure of this enormous expansion of bank credit to cause commodity prices to rise is to be explained in part by the spending of it in the security and real estate markets rather than in the commodity markets. But an examination of the trend of time deposits shows that the failure of commodity prices to rise must be attributed to a considerable extent to the preference of the public for idle funds, in the form of time deposits, over commodities. And the very fact that these bank funds had to be pumped into circulation through the channels of security and real estate loans and investment purchases rather than of direct loans to business was an important influence shaping the character of the cognate deposits.

This analysis connotes serious obstacles in the path of central bank efforts to control the price level. Since the powers of central banks over prices are pretty much confined to control over the volume of credit, in so far as changes in the volume of credit do not elicit a sympathetic response in spending by the public the ultimate objective of bringing about changes in prices may not be attained. The heroic attempts of the federal reserve banks to stem the tide of deflation in 1932 by pouring funds into member bank reserves through purchases of government securities met only with dismal failure. During these twelve months the reserve banks bought in the market 1.1 billion dollars of governments while the Bureau of Labor Statistics index of wholesale prices fell in the same year from 68.6 in December,

1931, to 62.6 in December, 1932. To be sure, this increase in the reserve banks' holdings of governments was accompanied by a decline of half a billion dollars in the rediscounts of the member banks; yet it is questionable whether this decline in rediscounts would have been so large if there had been a broad public demand for loans. It is a matter of doubt, too, how far the rise in prices which occurred in 1933 and 1934 is to be attributed to monetary manipulation, how far to the normal price rise of early business recovery, and how far to such abnormal influences as NRA, AAA, and the drouth. This gap between the quantity of money and credit and the price level Keynes has recognized, and would attempt to bridge through government spending on public works.

While the policy of a central bank will generally be more successful when directed at curbing price inflation than when trying to stimulate a rise in prices in depression, the existence of a large volume of idle funds in the hands of the public may invalidate even the former. When the federal reserve system was endeavoring to curb stock market speculation in 1928 and 1929 and did succeed in making money scarce, high money rates attracted funds from abroad and from private sources which frustrated the official attempts to deprive the market of funds. Time deposits offer an attractive reservoir in which the public may deposit funds it does not desire to spend and from which the market may draw in time of stringency—a reservoir lying beyond the direct range of central bank control.[11]

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[11] The power to fix the rate of interest on time deposits may furnish the Federal Reserve Board an indirect control over the volume of these deposits. But this control would appear tenuous, depending upon factors of such broad scope as the yield on prime investments and the confidence of investors in the general business outlook. Moreover, such control presumes power to regulate state banks and savings banks.

THE BANKING ACT OF 1935

The so-called omnibus banking bill, having passed both houses of Congress on August 19, 1935, was approved by the President and became law on August 23. The passage of this important piece of banking legislation aroused surprisingly little comment in the press in view of the wide public interest which had attended the earlier hearings on the bill in both the House and Senate Committees on Banking and Currency. One would have to go back to the days of the Aldrich bill and the original Federal Reserve act to encounter as much controversy over a piece of banking legislation as attended the proposed Banking act of 1935 in its journey through the House and Senate committees.

In fact, to appraise properly the provisions of the new banking law, it is necessary to compare them with the terms of the original Administration bill and to undersatnd the political environment which gave rise to the latter measure. In this article, therefore, the political aspects of the banking situation will first be reviewed, to be followed by a summary of the Administration banking bill. With this background, an analysis of the law as finally passed will be in order.

I

From the late spring of 1933, the Administration, by legislation and otherwise, made its influence strongly felt in the operation of the federal reserve system. On the legislative side, the independent position of the system was first undermined by the Thomas inflation amendment of May 12, 1933, which authorized the President, in his discretion, to direct the Secretary of the Treasury to enter into agreements with the federal reserve banks and the Federal Reserve Board, under which the reserve banks might buy up to $3,000,000,000 of additional government securities without incurring any penalty for deficiency in reserves resulting therefrom. The amendment also provided that if the Secretary of the Treasury "is unable to secure the assent of the several federal reserve banks and the Federal Reserve Board to the agreements authorized in this section," the President might direct the Secretary of the Treasury to cause to be issued United States notes up to $3,000,000,000 in amount.[1]

The Administration was accordingly provided with a club to hold over the reserve authorities. If they refused to enter into the open-market agreements, it would be possible to offset the effects of their refusal by the issuance of United States notes. Moreover, although the amendment provided that the Federal Reserve Board might raise or lower existing reserve requirements, to prevent injurious credit expansion or contraction, such authority might be granted only with the approval of the President.

The Thomas amendment, which was passed to facilitate the President's policy of restoring commodity prices to the pre-depression level, was the first legislative encroachment upon the freedom of action of the Federal Reserve Board and the reserve banks. A number of months later, the independence of the federal reserve authorities was further curtailed by the

[1] These notes might also be issued in the event that the open-market purchases were inadequate to meet the purposes of the section or for other reasons, but we are here concerned only with the one mentioned in the text.

passage of the Gold Reserve act of 1934. This act placed the control over the uses and movements of gold in the hands of the Secretary of the Treasury who was directed to act in this connection with the approval of the President. The federal reserve banks were permitted to redeem gold certificates in gold for purposes of settling international balances, but only to the extent deemed necessary by the Secretary of the Treasury.

In addition, this law established a stabilization fund of $2,000,000,000 out of the profits from devaluation, and provided that any part of this fund not needed for exchange stabilization purposes might be used to purchase government securities in the market. Accordingly, if the reserve banks had desired to tighten money rates by the sale of "governments," the effect of this action could have been largely offset by the purchase of such securities by the Secretary of the Treasury.

It is clear that the legislation noted would have provided the Administration with a substantial degree of control over the federal reserve authorities, had the latter wished to adopt policies opposed to the wishes of the existing government. As it turned out, however, there was no necessity to coerce the Federal Reserve Board, since it coöperated with the Administration at practically every turn. That this was to be expected is made plain by a consideration of Board resignations and appointments during 1933 and 1934.

On March 4, 1933, Mr. Woodin succeeded Mr. Mills as *ex officio* chairman of the Federal Reserve Board, and Mr. J. F. T. O'Connor became an *ex officio* member of the Board upon his appointment as Comptroller of the Currency on May 11, 1933. Mr. Eugene Meyer, member and governor of the Board since September 16, 1930, resigned on March 24, 1933, his resignation being accepted as of May 10. He was succeeded, on May 19, by Mr. Eugene R. Black, a Roosevelt appointee. The term of office of Mr. W. W. Magee expired on January 24, 1933, and there was one other vacancy on the Board remaining to be filled after President Roosevelt came into office. Mr. J. J. Thomas and Mr. M. S. Szymczak were appointed to serve the unexpired portions of these two terms. Thus five out of the eight Board memberships were filled by appointees of President Roosevelt.

On January 1, 1934, Mr. Morgenthau succeeded Mr. Woodin as Secretary of the Treasury, and hence became *ex officio* chairman of the Federal Reserve Board. Mr. Black resigned, effective August 15, 1934, and was succeeded as governor, on November 15, 1934, by Mr. Marriner S. Eccles. On August 21, 1934, Mr. A. C. Miller was reappointed for a twelve-year term beginning August 10.

The changes in the composition of the Federal Reserve Board in 1934, while less extensive than those of the previous year, were nevertheless important. The President had committed himself on several occasions in 1933 to a policy of price raising and subsequent stabilization. It may be taken

for granted that Mr. Morgenthau, a supporter of Professor Warren's theories, would fall in more fully with the President's ideas than Mr. Woodin would have done had he lived and remained in office. It appears equally certain that Mr. Eccles, who is generally accorded the responsibility for the Administration draft of the Banking act of 1935, is a more enthusiastic supporter of the President's price policy than was the late Mr. Black.

Accordingly, at the beginning of 1935, the Federal Reserve Board contained six members appointed by President Roosevelt, two of whom particularly, the chairman and the governor, were spirited endorsers of the price-raising-stabilization policy. There was consequently some basis for the statement, frequently made, that the Federal Reserve Board had come largely under the domination of the Administration.

It was in this atmosphere that the Administration draft of the Banking act of 1935 was conceived. The bill was introduced into the House of Representatives on February 5, 1935, and was referred to the Committee on Banking and Currency for consideration. The publication of the bill released a flood of protest and criticism, with a modicum of endorsement, which followed it through the hearings in both the House and the Senate. It is to the provisions of this much disputed measure that attention will be directed in the following section of this article.

II

The Administration banking bill, as introduced into the House, was composed of three titles. Title I amended the permanent deposit insurance provisions of the Banking act of 1933. Title II provided for a far-reaching revision of the powers and functions of the Federal Reserve Board and federal reserve banks. This was the controversial portion of the bill. Title III, which aroused practically no comment, consisted of technical amendments looking toward the smoother operation of the existing banking laws.

The provisions of Title I may be commented on briefly. It will be recalled that under the permanent deposit insurance plan of the Banking act of 1933, deposits were to be insured (a) up to $10,000 in full, (b) 75 per cent of the next $40,000, and (c) 50 per cent of amounts over $50,000, and that funds for operating the plan were to be obtained by subscriptions to stock in a Federal Deposit Insurance Corporation on the part of the Treasury, the federal reserve banks and insured banks. Although no periodic contribution was required of the latter, repeated subscriptions to stock might be exacted in time of stress when the banks would be least able to stand the strain.

In contrast to this, the Administration bill limited insurance to $5,000 per account and provided that insured banks, instead of subscribing to stock in the F.D.I.C., should pay an annual assessment amounting to 1/12 of 1

per cent of total deposits, assessments to be paid semi-annually. The Secretary of the Treasury was also authorized, in his discretion, to purchase additional obligations of the Corporation and to sell obligations so acquired at any time.

There can be no doubt but that the provisions of Title I were a distinct improvement on those of the Banking act of 1933. Insurance of deposits up to $5,000 is sufficient to cover fully some 98 per cent, by number, of all accounts and to safeguard the small depositor who is in most need of this sort of protection. Insurance of accounts to this extent would also appear to be feasible as a practical matter.[2]

Nevertheless, these provisions were still defective in two respects. In the first place, the recognized insurance principle that the size of the annual premium should vary in accordance with the risk involved was ignored, the same assessment being levied against all insured banks.[3] The major objection to deposit-guarantee plans—that the less cautious bankers will take unwarranted risks at the expense of the soundly-run banks—would be largely removed with graduated premiums, since it would then pay bankers to improve the condition of their institutions in order to reduce the amount of their annual payment into the insurance fund.

In the second place, the provisions of Title I placed an unfair burden on the large banks which had numerous accounts substantially in excess of $5,000, while the smaller banks had relatively few such accounts.[4] An annual assessment based on insured deposits only, rather than total deposits, would have been an improvement. In the course of the hearings on the bill, the large banks did voice objections to this feature of Title I, although all agreed that the new plan was superior to that contained in the Banking act of 1933.

Title III, since its provisions were technical and were generally approved, may be dismissed without extended comment. One amendment to existing law should, perhaps, be noted. It was provided that, in the calculation of member bank reserve requirements, "due from banks" might be deducted from gross deposits instead of from "due to banks" only.[5] This change would redound to the benefit of the country banks, which have larger "due from" than "due to" banks items.

[2] In this connection, see J. H. Taggart and L. D. Jennings, "The Insurance of Bank Deposits," *Journal of Political Economy,* August, 1934, pp. 508 ff.

[3] This point is elaborated in G. Emerson, "Guaranty of Bank Deposits under the Banking Act of 1933," *Quarterly Journal of Economics,* February, 1934, pp. 229 ff.

[4] On October 1, 1934, when deposits were insured up to $5,000 under the temporary plan, 91.67 per cent of deposits in banks having $100,000 or less of deposit liabilities were insured, while in banks with deposits of over $50,000,000, the corresponding percentage was 25.69. *Federal Reserve Bulletin,* March, 1925, p. 200.

[5] "Due from banks" includes also exchanges for clearing and items in process of collection, while "due to banks" includes certified and officers' checks, cash letters of credit, and dividend checks outstanding.

The most radical changes from existing law were embodied in Title II. With regard to the federal reserve banks, this title provided that the board of directors of each such bank should annually select a governor and a vice-governor, subject to the approval of the Federal Reserve Board. Having approved the selection of governor, the Board was then directed to appoint this officer as one of the Class C directors of the reserve banks and was authorized to appoint the vice-governor to another of the Class C directorships, if desired. The office of federal reserve agent was abolished, being merged with that of governor.

Membership on the Federal Reserve Board was changed in one important respect. The governor and vice-governor of the Board were to be appointed by the President to serve at his pleasure and, when dismissed, to be deemed to have served their full terms. Other appointments were for twelve years as before, and salaries of Board members were raised from $12,000 to $15,000 per annum. A pension plan was also provided for members who had served five years or more on the Board.

A drastic change in the composition and powers of the federal open-market committee was incorporated in the bill. Under the Banking act of 1933, this committee was composed of twelve representatives of the federal reserve banks (in practice the governors). The committee formulated the system's open-market policies, but its decisions were not binding on any reserve bank which desired not to participate in recommended sales or purchases. Under the proposed law, the open-market committee was to consist of the governor and two other members of the Federal Reserve Board and two governors of the twelve reserve banks. This committee, under the direction of the Federal Reserve Board, was to formulate open-market policies, and its decisions were to be binding on the several reserve banks. The bill also authorized the purchase by the reserve banks, without regard to maturities, of direct or fully guaranteed obligations of the United States.

Another far-reaching amendment, relative to discount operations of the reserve banks, was included in the proposed law. It was provided that "subject to such regulations *as to maturity and other matters* as the Federal Reserve Board may prescribe," a federal reserve bank might discount any commercial, agricultural or industrial paper for member banks, and might make advances to member banks secured by "*any* sound assets."[6]

Under the terms of the proposed act, federal reserve notes might be issued by the reserve banks, secured by a first and paramount lien on all of the assets of the issuing bank. The 40 per cent reserve in gold certificates against federal reserve notes was retained, but it was provided that the 35 per cent reserve required against deposits in the reserve banks should consist of lawful money, other than federal reserve notes or federal reserve bank notes.

[6] Italics are mine.

To prevent injurious credit expansion or contraction, the Administration bill provided that the Federal Reserve Board might "by regulation change the requirements as to reserves to be maintained against demand or time deposits or both by member banks" in any or all federal reserve districts and in central reserve, reserve or other cities.

The foregoing provisions were chiefly concerned with centralizing credit control in the hands of the Federal Reserve Board. In addition to these, Section 210 of Title II liberalized in marked fashion the limitations imposed on the extension of real estate loans by national banks. Under the then existing law, national banks were permitted to lend on the security of urban property or improved farm lands within a 100-mile radius of the lending bank up to 50 per cent of the value of the property for terms not exceeding five years. The aggregate amount of such loans was limited to 25 per cent of the lending bank's paid-in and unimpaired capital and surplus, or one-half of its savings deposits, whichever was greater.

The proposed amendment abolished the territorial limitation on real estate loans and allowed national banks to lend up to 60 per cent of the value of the property, but for terms not exceeding three years. Loans secured by amortized mortgages, however, might be granted up to 75 per cent of the value of the property, provided that the installment payments would retire the loan in a period of twenty years.[7] The limit on the aggregate amount of real estate loans which might be granted was raised to the amount of the lending bank's paid-in and unimpaired capital and surplus or 60 per cent of its time and savings deposits, whichever was greater.

III

Analysis of the Administration banking bill discloses, first, that it was designed to facilitate the carrying out of the theory of credit control espoused by Governor Eccles of the Federal Reserve Board, and, second, that it would have incorporated in the permanent banking law the opportunity for political domination of central banking policy, already largely in effect in practice.

Governor Eccles, in his writings, speeches and testimony, has indicated his belief in the possibility of effecting substantial control of prices and business activity through the medium of credit control, chiefly by means of open-market operations. His approach to the problem of credit control is strictly quantitative. To him, apparently, the problem is one of effecting the expansion and contraction of bank credit without regard to qualitative distinctions, *i.e.,* whether the credit is long or short-term, commercial or investment, in type. Consequently, the bill which he sponsored, and with

[7] Under Title II of the National Housing act, national banks were exempted from the valuation and maturity limitations of the law on insured loans made under the terms of that act. This exemption was also included in the proposed law.

the authorship of which he is generally credited, removed the qualitative distinctions embodied in the original Federal Reserve act by permitting the Federal Reserve Board to regulate the maturities and other characteristics of discounted paper, and to allow the reserve banks to make advances secured by any sound assets.

In like fashion, the importance of open-market operations in Governor Eccles' philosophy of credit control was recognized in the bill by the provisions concerning the federal open-market committee and its powers and functions. The permission to the Board to alter member bank reserve requirements and the issuance of federal reserve notes without specific security were likewise in line with this general philosophy.

Space is lacking here to enlarge upon the weaknesses of the theory of credit control held by Governor Eccles.[8] Suffice it to point out that the publication of the Administration bill brought forth severe criticism from a substantial group of monetary and banking theorists, not because of the centralization of credit control provided therein, but because of the elimination from the Federal Reserve act of qualitative limitations on eligible paper and the requirement of specific security behind federal reserve notes. In view of the known attitude of Governor Eccles, it was felt that the removal of these legislative restrictions would be especially dangerous.

From the viewpoint of political control, the bill received even wider condemnation. The right of the President to appoint the governor and vice-governor of the Federal Reserve Board to serve at his pleasure, combined with the requirement of Board approval of the selections, annually, of governors and vice-governors of the federal reserve banks, was sufficient cause for alarm on the part of the large body of students and bankers who realized the vital necessity of independence from political influence in the management of any successful central banking system.

The criticisms noted were brought out in detail and with great force in some of the adverse testimony on the bill before the House Committee on Banking and Currency.[9] Nevertheless, the bill, as reported out from the committee and passed by the House, followed in large measure the Administration draft. Aside from changing the rate of assessment against insured banks from 1/12 to 1/8 of 1 per cent, Titles I and III were virtually unaltered. Some slight improvement in Title II resulted from two amendments, one of which provided that appointments of governors and vice-governors of federal reserve banks be approved by the Board every three years, instead of annually, while the other specified that if the designation of Governor of the Board be terminated by the President, the incumbent might serve his full term as a regular member of the Board.

[8] The objections to a purely quantitative theory of credit control are considered in detail in my article, "Social Aspects of Commercial Banking Theory," *American Economic Review*, June, 1933, pp. 217-233.

[9] See, for example, the testimony of Dr. Walter E. Spahr in this connection.

On the other hand, an amendment which made it the duty of the Federal Reserve Board to exercise its powers "in such manner as to promote conditions conducive to business stability and to mitigate by its influence unstabilizing fluctuations in the general level of production, trade, prices, and employment, so far as may be possible within the scope of monetary action and credit administration," placed an impossible burden on the federal reserve authorities and was both short-sighted and undesirable. The House draft also changed the regulations regarding the open-market committee, but left complete control of, and responsibility for, open-market operations in the hands of the Federal Reserve Board.

There was little doubt that the banking bill, as passed by the House, would prove acceptable to the Administration since it followed so largely the terms of the original bill. The Senate committee, on receiving the House measure, held extensive hearings before amending it and reporting it out of committee for vote in the Senate. The testimony before the Senate committee was predominantly critical,[10] and Senator Glass was known to be in opposition to the House measure. Yet the changes in the bill, when reported out of committee, were much more fundamental than had been anticipated. The Senate passed the committee draft without change and it was referred to a joint committee for final amendment. Since the Banking act of 1935, as finally passed, followed the Senate draft closely in many particulars, it will be advisable to consider the terms of this draft in some detail.

IV

With regard to the management of the federal reserve banks, the Senate draft provided that the board of directors of each reserve bank should elect, for five-year terms, a president and vice-president, such elections to be subject to the approval of the Board of Governors (the new name for the Federal Reserve Board). The president was to be the chief executive officer of the bank, to whom all other executive officers and employees should be responsible. The office of federal reserve agent was retained as heretofore.

The name of the Federal Reserve Board was changed to the Board of Governors of the Federal Reserve System. The Board of Governors was to consist of seven members, all to be appointed by the President for terms of fourteen years each in such fashion that one term would expire every two years. The two *ex officio* members, the Secretary of the Treasury and the Comptroller of the Currency, were dropped from the Board. The salary of Board members was fixed at $15,000 per annum and no member was to be allowed to serve more than one full term. Not more than four of the

[10] Among those testifying against the bill were such well-known economists and bankers as Kemmerer, Willis, Anderson, Perkins, Warburg, and Aldrich, as well as many others.

seven members might be of one political party and at least two of the members must be experienced bankers. The President was authorized to designate two of the members as chairman and vice-chairman, respectively, of the Board of Governors, to serve in this capacity for four years of their terms.

Under the Senate draft, the federal open-market committee was to be composed of the entire Board of Governors plus five representatives of the reserve banks. Of the latter, four were to represent specific groups of reserve banks, while the fifth was to be a representative at large. The committee was to formulate and direct open-market policies and its decisions were to be binding upon the federal reserve banks. Authority was given to purchase government and government-guaranteed securities without regard to maturities, but such purchases might be made only in the open market.

In respect to discounts, it was provided that member banks, without any eligible or acceptable paper, might apply to their federal reserve banks for advances secured to the satisfaction of said reserve banks. Such advances were to bear a rate one per cent above the highest established discount rate on eligible paper. It was also provided that the reserve banks should establish discount rates every fourteen days, or oftener if deemed necessary by the Board of Governors. In the Senate draft, the provision permitting the issuance of federal reserve notes without specific security was omitted.

In order to prevent injurious credit expansion, the Senate bill authorized the Board of Governors, upon an affirmative vote of five members, to raise member bank reserve requirements. Increases might amount to no more than 100 per cent of existing requirements and reserves were not to be lowered below existing requirements.

Regarding real estate loans, the Senate draft adopted the same aggregate limit as the Administration and House bills. Existing restrictions on five year real estate loans were retained, but national banks were permitted to grant amortized loans up to 60 per cent of the value of the property with a ten-year maturity, provided that, at the end of that period, the payment of installments would be sufficient to reduce the principal of the loan by 50 per cent.

The only changes in Titles I and III which need be mentioned were first, the restitution of an annual assessment against insured banks of 1/12 of 1 per cent of total deposits, as in the Administration bill (Title I) and, second, the incorporation of a provision under which national banks might engage in certain underwriting activities of an investment banking nature (Title III).

The changes wrought in Title II of the banking bill, as a result of the Senate amendments, were in large measure attributable to the efforts of Senator Carter Glass. The result was, on the whole, essentially constructive. The qualitative limitations of the Federal Reserve act, in respect to eligible paper and security behind federal reserve notes, were retained in the Senate

draft of the bill. Open-market powers were, it is true, broadened and centralized, but this would be objectionable only if such powers were mishandled by the open-market committee, over which the Board of Governors had control through its ability to outvote the reserve bank representatives. Consequently, every effort was made to insure a non-partisan and able Board of Governors. This explains the requirements that not more than four members should belong to one political party, that two of the members should be experienced bankers, that not more than one term of membership should expire every two years, and that members should be prohibited from serving more than one full term. This also accounts for the elimination from the Board of the Secretary of the Treasury and the Comptroller of the Currency. In short, it is difficult to see how anything more could have been done, as a practical matter, to protect the new Board of Governors from political pressure or interference. It is in this respect that the Senate draft is most deserving of commendation.

V

The banking bill, as finally passed, followed the Senate draft closely with a few exceptions. Accordingly, it will be necessary here only to comment on the differences between the two measures.

The Senate draft of the bill was weakened by the elimination, in the final act, of the requirements that not more than four members of the Board of Governors shall be of one political party, and that two of the members shall be experienced bankers. The first-mentioned omission is especially important, since the President is authorized to appoint the entire new Board of Governors by February 1, 1936, when the new organization goes into effect. The President will therefore be able, should he feel it advisable to do so, to appoint seven members of his own party who would be in accord with his ideas in the matter of credit control. The efforts of Senator Glass to obtain a non-partisan, and largely independent, Board of Governors have consequently been balked to some extent.

The final act changed the composition of the federal open-market committee by specifying that the five representatives of the federal reserve banks should all represent groups of reserve banks, thus doing away with the selection of a representative at large. This change is of no significance.

On the question of advances to member banks, secured by normally ineligible paper, the Banking act reduced the penalty rate from 1 to ½ of 1 per cent and eliminated the requirement that member banks must be lacking in eligible paper in order to obtain such advances. A provision limiting the maturity of these advances to four months was inserted.

Here, again, the Senate draft was weakened by the change made in the joint committee. The Senate measure contemplated the use of these advances for emergency purposes at a substantial penalty rate, and, as such,

the inclusion of this provision was fully justified. As the law was finally passed, member banks may resort to this form of accommodation at a slight penalty, even when possessed of eligible paper. The emergency nature of the Senate provision was thus eliminated, and there is little, if any, justification for this section of the law as it now stands.

The act amended the Senate draft slightly by permitting a change in member bank reserve requirements upon the affirmative vote of four rather than five members of the Board of Governors. This change is relatively unimportant.

The real estate provisions of the final act were changed slightly from the Senate draft. The territorial limitation on real estate loans was eliminated and the amortization requirement was reduced from 50 to 40 per cent. Under certain conditions, also, more than one national bank was allowed to participate in a loan. Insured loans under Title II of the National Housing act were exempted from maturity and valuation limitations as before. Although there is little to criticize in the limitations on individual real estate loans included in the act, the relaxation of the limit on aggregate loans of this type can scarcely be justified. The former limit was sufficiently liberal, perhaps too liberal in view of the difficulties resulting from such loans during the depression, and there was no sound reason for its relaxation.

The final act wisely, in the judgment of the writer, dropped the provision of the Senate draft permitting national banks to engage in specified underwriting activities, although many bankers, no doubt, would have liked to augment their profits in this way.

With the exceptions just noted, the Banking act of 1935 coincided with the Senate draft in nearly every particular. In appraising its merit as a piece of reform legislation, account must be taken not only of the terms of the law itself, but of the situation which existed prior to its passage and the political environment in which the law will be put into operation.

As compared with the banking bill proposed by the Administration, or with the House draft of the bill, the new act is unquestionably a great improvement for reasons which have already been noted. In the light of the situation which existed at the beginning of 1935, also, there can be little doubt but that the Banking act of 1935 is a constructive measure. The Federal Reserve act had been amended by a series of emergency measures to a point where it was hardly recognizable as the law which was passed in 1913. Some of these amendments were temporary, some permanent. The Banking act incorporated some of the previous amendments and supplanted others, thus clarifying somewhat the legal status of the Federal Reserve Board and the federal reserve banks. The major criticism to be offered in this connection is that the act did not go far enough. The inclusion of an amendment to the Gold Reserve act of 1934, transferring

control of international gold movements from the Secretary of the Treasury to the Board of Governors would have greatly strengthened the new law.

As far back as 1933 and 1934, the Federal Reserve Board, although ostensibly independent, had, as shown, come practically under political domination. With regard to the short-term outlook, no great improvement in the matter of political control is to be anticipated under the new law, since the President is authorized to appoint the entire new Board of Governors without restriction as to the political affiliations of the appointees. From a long-run standpoint, on the other hand, the prospect is less discouraging. The fact that only one member of the Board of Governors will retire every two years, coupled with the provision that a member may serve only one full term, will mean that not more than two new Board members may be appointed by a future President in any one term of office, while a member whose term is expiring may be expected to be free from political influence since he cannot be reappointed. The elimination from the Board of the Secretary of the Treasury and the Comptroller of the Currency will also assist to place the Board in an independent position.

The Banking act, by increasing the open-market and discount-control powers of the Board of Governors, has given that body a large influence for good or evil in the matter of credit control. To those who do not agree with the philosophy of credit control at present prevailing in Washington, these increased powers can hardly appear as other than harmful. Nevertheless, by centering responsibility for open-market and discount operations, the Banking act has effected an improvement over the situation previously existing. The public will at least know where to place the blame if the operations engaged in are ineffective or injurious.

When viewed impartially, the Banking act of 1935 is worthy of approbation. It does not meet the requirements of a theoretically perfect banking law. It does not afford adequate safeguards against a possible credit inflation. It does not touch on certain banking reforms which are essential to the development of a sound and adequate banking system. Notwithstanding these imperfections, however, the law is still essentially constructive in that it is a far better piece of legislation than might have been anticipated in the circumstances.

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THE REVENUE ACT OF 1935[1]

President Roosevelt, in a special message to Congress on June 19, recommended heavier surtaxes on large individual incomes; inheritance and gift taxes, earmarked for national debt reduction, in addition to existing estate and gift taxes; graduated taxes on corporation incomes; taxes on intercorporate dividends; and the submission of a constitutional amendment authorizing the general taxation of income from federal, state and local government securities. The Revenue act of 1935, embodying the larger part of his proposals, was rushed through Congress with all possible speed in spite of opponents who dubbed this a political "soak-the-rich" or "share-the-wealth" program. Increased surtaxes on individuals, graduated taxes on corporation incomes, and taxes on intercorporate dividends were provided, though not on exactly the terms suggested by the President. But instead of adopting the suggested new inheritance and gift taxes, existing estate and gift taxes were raised; and no provision was made for the constitutional amendment to eliminate tax-exempt government issues. It is estimated that the new act will afford additional annual revenue of about $250,000,000 when in full operation.

President Roosevelt surprised the country and apparently even his congressional and party leaders by a special tax message sent to Congress June 19, 1935. In his budget message of January 7 he had said that he did not consider it advisable at that time to propose any new or additional taxes for the fiscal year 1936. Other party leaders also had expressed objection to increasing taxes for 1936. The ensuing months had shown larger receipts and smaller expenditures than had been estimated so that the fiscal year 1935 was about to end with a smaller deficit than had been anticipated. Moreover, when the message came Administration leaders in both houses of Congress were pressing pending bills with a view to adjourning the long session and getting out of sweltering Washington as soon as possible. Obviously few of them welcomed the prolongation of the session that a major tax bill implied. Furthermore, the message aroused extraordinary opposition because it stressed taxation for other than revenue purposes, that is, for the distribution of wealth, for the extra taxation of corporations on the basis of size, and for the elimination of unnecessary holding companies.

President's Message Summarized

In the introductory part of his message the President said: . . . "if a government is to be prudent its taxes must produce ample revenues without discouraging enterprise; and if it is to be just it must distribute the burden of taxes equitably. . . . Our revenue laws have operated in many ways to the unfair advantage of the few and they have done little to prevent an unjust concentration of wealth and economic power." He then commended

[1] The bill was introduced into the House July 29; the conference report was approved by the House August 22 and by the Senate August 24; it was signed by the President August 30, 1935.

The Revenue act of 1934 is discussed in the *American Economic Review* of September, 1934; the Act of 1932, in the issue of December, 1932, and the issues in which each of the other recent federal revenue acts is treated are shown on page 428 of the *Review* of September, 1928.

the progressive income tax as the main tax for federal purposes and said that, despite the great importance of individual effort and ingenuity, wealth is the result of "mass coöperation."

He proposed inheritance taxes on beneficiaries in addition to existing federal taxes upon estates and also correlated gift taxes in addition to those now correlated with estate taxes, saying that "creative enterprise is not stimulated by vast inheritances." He urged that the proceeds of such taxes be segregated and applied to the reduction of the national debt. His second main proposal was for increasing graduated surtaxes "upon very great individual incomes," pointing out that graduation now stops at $1,000,000.

His third proposal was that the flat corporation income tax of 13¾ per cent be graduated according to amount of income, say, from 10¾ per cent on small corporations to 16¾ per cent on large ones. He suggested the prevention of evasion through affiliates by the taxation of intercorporate dividends, exempting *bona fide* investment trusts; and he recommended seeking later through taxation the simplification of corporate structures and the elimination of unnecessary holding companies.

He renewed the recommendations of his predecessors for the submission of a constitutional amendment which would permit federal, state, and local governments to tax incomes from the future issues of their securities. The President ended his message by expressing his gratitude to Congress because it was about to provide for renewal of the miscellaneous internal revenue taxes, which would otherwise expire June 30.[2]

The Proposals before Congress

The first suggestion of Administration leaders was that the President's proposals should be attached as amendments to the miscellaneous internal revenue measure then before the Senate and rushed through speedily so that adjournment would not be delayed. Because of the constitutional prerogatives of the House of Representatives with respect to revenue matters, or because of protests against undue haste in considering a major tax bill, or because of unusual objections throughout the country to the kinds of taxes proposed, or for other reasons, this plan was abandoned and the initiation of a new tax bill was undertaken by the Ways and Means Committee of the House.

Brief public hearings were held. As usual, this Committee invited the

[2] These taxes yielding about $500,000,000 annually were renewed for two years by Public Resolution No. 36, 74th Congress, 1st Session, approved June 28, 1935. The tax on bank checks which expired December 31, 1934, was not renewed. The greater publicity of income tax returns authorized in the Act of 1934 was repealed April 19, 1935, before being put into operation (Public No. 40, 74th Cong., H. R. 6359), but future returns may be inspected by duly authorized state and local officials for the purpose of administering state tax laws.

Secretary of the Treasury as the fiscal representative of the Administration to appear first and present the views and plans of the government. Although Secretary Morgenthau appeared, he had almost nothing to say and practically nothing could be elicited from him regarding Treasury needs, policies or plans. He was perfectly willing to coöperate with the committee by attempting to furnish estimates of yields of any tax rates which the committee cared to consider but it certainly should not expect him to submit new kinds of taxation. From the Treasury point of view he thought the primary purpose of the President's proposals was revenue, but he would venture no opinion as to what was in the mind of the President. The Secretary's later appearance before the Senate Finance Committee was similarly courteous, non-committal and fruitless. In both cases opposition committee members mildly twitted him and the Administration about the political purposes of the proposals and in both cases Administration supporters intervened when the thrusts threatened to become too embarrassing.

As was to be expected, the House and the Senate committees got most of their technical data and guidance from the staffs of the Joint Committee on Internal Revenue Taxation and the Treasury Department.[8] The Administration majorities in the two committees framed their respective bills without much help from the minority, in fact, in the face of opposition from most of the minority members. This was especially true in the case of the Ways and Means Committee where the majority resorted to the old practice of excluding the minority from its meetings until the bill was framed.

In form the Revenue act of 1935 is not a complete new independent measure comparable with the main revenue acts of the past; rather it is a series of amendments of previous acts, principally of the Acts of 1934 and 1932, and has to be taken in connection with them. We shall now follow the principal actions on each of the important provisions of the revenue measure as it went through the two houses of Congress. These provisions may be divided into: (1) taxes on individuals, including chiefly income surtaxes, estate, inheritance and gift taxes; (2) taxes on corporations, including graduated income, excess profits, capital stock, intercorporate dividend and personal holding company penalty taxes; and (3) miscellaneous matters.

Surtaxes on Individual Incomes

In his message the President raised the question why graduation should stop at $1,000,000. If the rate for a man with a $6,000 income is double that for one with a $4,000 income why should the rates on incomes of

[8] The most substantial data and comment appearing in the published hearings are those presented by Mr. Lovell H. Parker, chief of staff of the Joint Committee, and Mr. Robert H. Jackson, assistant general counsel of the Treasury Department.

$1,000,000 and $5,000,000 be the same rather than graduated. Some took this to mean that the President recommended higher rates on only those incomes in excess of $1,000,000; others thought that his citations of amounts were merely illustrative.

Mr. Robert H. Jackson, assistant general counsel, Treasury Department, presented to the Senate Finance Committee an extended statement and analysis based upon Treasury income tax statistics relative to the concentration of wealth and income in the United States.[4] In support of the argument for higher surtaxes he said that large income receivers had many opportunities to reduce their taxes not practical for smaller taxpayers. In this connection he cited tax-exempt securities; loss allowances for show farms, racing stables and hobbies; the privilege of postponing and even

TABLE 1.—ESTIMATE OF ADDITIONAL REVENUE[1]
(FOR A FULL YEAR OF OPERATION)

(*In millions of dollars*)

Source	*Act of 1935*	*House bill*	*Senate bill*
Surtax increases	$ 45	$ 45	$ 4
Graduated corporation tax	37	15	60
Capital-stock tax	44	0	55
Excess-profits tax	10	100	10
Inheritance tax	0	86	0
Estate tax increase	80	0	80
Gift tax	21	24	21
Intercompany dividends	20	0	39
Total	$265	$270	$269
Corporation deduction for charitable gifts	15	15	15
Net total additional revenue	$250	$255	$254

[1] 74th Congress, 1st Session, *Congressional Record*, p. 14864. Evidently there is a misprint in the *Congressional Record*, as the first column does not add up as shown.

escaping tax on appreciation of assets by using forms of corporate reorganizations; the inapplicability of the income tax to capital gains not "realized" prior to death; "shadow" sales of assets for tax purposes; tax-evading trusts, etc. The Treasury statistics and administrative experience afford a revelation to those not familiar with them.

Under the Revenue act of 1934 surtax rates begin at 4 per cent upon the bracket of taxable net income falling between $4,000 and $6,000 and rise to a maximum of 59 per cent upon amounts in excess of $1,000,000. Under the Act of 1935 no change is made in these rates on amounts below $50,000, the former rate of 30 per cent upon the first bracket above $50,000 is changed to 31 per cent, and the rates upon all larger incomes

[4] 74th Congress, 1st Session, Hearings before the Finance Committee of the Senate on H. R. 8974, pp. 173-234 (August 6, 1935).

TABLE 2.—COMPARISON OF UNITED STATES AND BRITISH INCOME TAXES UPON SPECIMEN NET INCOMES—MARRIED MEN, NO DEPENDENTS, ALL EARNED INCOME[1]

Taxable net income	*Normal and surtax combined*		
	United States		*Great Britain*
	Act of 1935	*Act of 1934*	
$ 1,000	$ 0	$ 0	$ 0
2,000	0	0	67
5,000	80	80	607
25,000	2,489	2,489	6,679
100,000	32,469	30,594	45,279
1,000,000	679,044	571,394	613,529
20,000,000	15,638,969	12,541,394	12,726,029

[1] From 74th Congress, 1st Session, Senate Report 1240.

are increased until a maximum of 75 per cent is reached upon those in excess of $10,000,000. The 1934 normal tax rate of 4 per cent is not changed.

The Senate Finance Committee favored confining the increases to incomes above $1,000,000, though at one time it redrafted the bill to include Senator La Follette's amendments to reduce personal exemptions by 20 per cent and to increase surtaxes all the way up beginning on incomes in excess of $3,000. These and other amendments were very short lived,

TABLE 3.—NUMBER OF INDIVIDUAL RETURNS (NET INCOMES OF OVER $50,000)[1]

Net income class	*Calendar year*				
	1924	1929	1930	1932	1933
$50,000 to $100,000	15,816	24,073	13,645	5,902	5,927
$100,000 to $150,000	3,065	6,376	3,111	995	1,085
$150,000 to $300,000	1,876	5,310	2,071	595	693
$300,000 to $500,000	457	1,641	552	140	139
$500,000 to $1,000,000	242	976	318	86	84
$1,000,000 to $2,000,000	50	357	110	15	35
$2,000,000 to $5,000,000	22	118	32	5	10
Over $5,000,000	3	38	8	0	1
Total number of returns (with over $50,000 of net income each)	21,531	38,889	19,847	7,738	7,974

[1] 74th Congress, 1st Session, House of Representatives, Report No. 1681 (to accompany H. R. 8974, Ways and Means Committee Report).

however. In the end, Congress accepted the surtaxes of the House bill which will yield more revenue than would those of the Senate measure but much less than what the La Follette amendments would have yielded. (See Tables 1-3.)

Our higher surtax rates now exceed those of the British but our normal

tax rate does not compare with theirs of 22½ per cent. Consequently, on small and medium sized incomes the normal and surtaxes combined are much higher in Great Britain than in the United States. As incomes approach $1,000,000, however, our federal taxes catch up with and pass those of the British, but it should not be overlooked that we have, as the British have not, income taxes levied by states in addition to those levied by the national government. Other factors to be considered are mentioned below.

Most of the controversy over surtax rates as well as over most provisions of the entire measure related to the short and long run effects upon recovery and upon enterprise in general. Criticism focused on the avowed use of taxation for social purposes, particularly for the distribution of wealth rather than mainly for revenue purposes. The views presented at the hearings and on the floors of the two houses, as well as in the press and in the country at large are, of course, more or less irreconcilable and shot through with political bias. In this case the charges of party politics against the President were especially voluminous and vehement on the part of the minority members of the Senate and House committees, as well as on the part of many others of various parties and interests throughout the United States.[5]

Inheritance, Estate and Gift Taxes

The President recommended new federal inheritance taxes and correlated gift taxes to prevent evasion of inheritance taxes, both in addition to the existing estate taxes and correlated gift taxes. He did not, however, recommend changes in the federal estate taxes. He stressed the inconsistency of great inheritances with American ideals. He quoted from President Theodore Roosevelt's message of 1907 as follows:

> A heavy progressive tax upon a very large fortune is in no way such a tax upon thrift or industry as a like tax would be on a small fortune. No advantage comes either to the country as a whole or to the individuals inheriting the money by permitting the transmission in their entirety of the enormous fortunes which would be affected by such a tax; and as an incident to its function of revenue raising, such a tax would help to preserve a measurable equality of opportunity for the people of the generations growing to manhood.

President F. D. Roosevelt himself added:

> A tax upon inherited economic power is a tax upon static wealth, not upon that dynamic wealth which makes for the healthy diffusion of economic good.
>
> Those who argue for the benefits secured to society by great fortunes invested in great businesses should note that such a tax does not affect the essential benefits that remain after the death of the creator of such a business. The mechanism of production that he created remains. The benefits of corporate organization remain. The advantage of pooling many investments in one enterprise remains. Governmental privileges such as patents remain. All that is gone is the initiative, energy, and genius of the creator—and death has taken these away.

[5] See summary of objections below under "comments and conclusions."

The House bill provided for inheritance taxes ranging from 4 to 75 per cent, also for correlated gift taxes to be superimposed upon existing estate and gift taxes. The Senate, however, eliminated these new taxes and increased existing estate and correlated gift taxes instead. The Senate rates began at 2 per cent upon taxable "net estates" under $10,000 (1934 law, 1 per cent) and rose to a maximum of 70 per cent upon estates in excess of $50,000,000. The maximum under the 1934 law was 60 per cent upon estates in excess of $10,000,000. The failure of the Senate to follow the proposals of the President and the House was principally because of the great administrative difficulties involved. The Conference Committee and finally Congress approved the Senate position on these taxes rather than that of the House. (See Table 4.) The exemption permitted to arrive at

TABLE 4.—COMPARISON OF ESTATE TAXES[1]

Net estate (before exemption)	*Act of 1935*	*Act of 1934*	*House bill*[2]	*Great Britain estate tax*
$40,000	....	....	....	$ 1,600
$50,000	$ 200	....	....	2,000
$60,000	600	$ 100	496	3,000
$70,000	1,200	300	1,476	4,200
$100,000	4,200	1,500	6,860	8,000
$150,000	11,300	5,600	20,080	15,000
$200,000	19,800	11,600	36,416	24,000
$300,000	38,600	25,600	74,032	48,000
$400,000	58,600	41,600	115,888	72,000
$500,000	80,400	59,100	159,788	95,000
$600,000	103,400	78,100	207,584	120,000
$800,000	154,200	120,600	306,784	192,000
$1,000,000	211,000	169,100	413,060	240,000
$2,000,000	543,600	461,100	1,007,816	600,000
$5,000,000	1,901,400	1,692,600	3,148,344	1,900,000
$10,000,000	4,936,600	4,387,600	7,219,136	4,500,000
$50,000,000	32,335,000	28,386,600	42,970,750	25,000,000
$100,000,000	67,334,600	58,386,600	87,970,750	50,000,000

Specific exemption, Act of 1934	$50,000
Specific exemption, Act of 1935	40,000
Proposed specific exemption (House bill)	50,000

[1] 74th Congress, 1st Session, Report of the Senate Committee on Finance, No. 1240.

[2] Computed on basis that entire estate passes to a son of the decedent. This is the maximum combined tax under House bill. Average tax will be much less where there is more than one beneficiary.

taxable "net estate" was reduced from $50,000 to $40,000. Provision was made to allow for some revaluation in case of shrinkage in values between the death of decedent and one year thereafter. The 80 per cent credit for state death taxes was not changed. Table 5 classifies the estate tax returns filed in 1932.

TABLE 5.—FEDERAL ESTATE TAX RETURNS FILED IN 1932[1]

Net estate classes[2]	*Number of returns*	*Per cent*	*Value of gross estate*[3] *(000 omitted)*	*Per cent*
Nontaxable	2,009	28.3	$ 184,000	7.7
Under $100,000	2,762	28.8	442,000	18.4
$100,000–$400,000	1,600	22.5	564,000	23.5
$400,000–$1,000,000	500	7.0	429,000	17.8
$1,000,000–$5,000,000	215	3.0	507,000	21.0
$5,000,000–$10,000,000	21	.3	168,000	7.0
$10,000,000 and over	6	.1	110,000	4.6
Total	7,113	100.0	$2,404,000	100.0

[1] 74th Congress, 1st Session, Hearings before the Committee on Finance of the Senate on H. R. 8974, p. 177.

[2] After allowable deductions and a specific exemption of $100,000 for each estate.

[3] Gross estate value as reported less indebtedness against the estates.

The gift taxes are three-fourths of the estate taxes. Under the Act of 1934 they begin at ¾ of 1 per cent upon amounts not in excess of $10,000 and are graduated up to 45 per cent on amounts in excess of $10,000,000; under the Act of 1935, they begin at 1½ per cent upon amounts not in excess of $10,000 and are stepped up to 52½ per cent upon amounts over $50,000,000.

Mr. Robert H. Jackson of the Treasury Department said, "Examination of the data as to the composition of estates filed under the federal estate law during the calendar years 1932 and 1933 indicates that the difficulty of liquidation may be exaggerated." His supporting table follows:

TABLE 6.—GROSS PROPERTY OF ESTATES AS REPORTED UNDER THE FEDERAL ESTATE TAX LAW[1]

	1932		*1933*	
	Amount	*Per cent*	*Amount*	*Per cent*
Real estate	$ 433,374,000	15.5	$ 385,831,000	19.1
Securities	1,548,414,000	55.4	1,075,178,000	53.0
Mortgages, notes, cash, insurance, etc.	476,460,000	17.0	457,271,000	22.5
Miscellaneous	337,571,000	12.1	108,651,000	5.4
Total	2,795,819,000	100.0	2,026,931,000	100.0

[1] 74th Congress, 1st Session, Hearings before the Committee on Finance of the Senate on H. R. 8974, p. 197.

Graduated Income Tax on Corporations

Graduating the corporate income tax occasioned the severest contest of any of the President's proposals. It meant establishing a precedent in fed-

eral legislation, though a few states already have such a tax. The President argued for it mainly on the ground of the great advantages the larger corporations secure from interstate business and from the services of the

TABLE 7.—EARNINGS OF CORPORATIONS IN THE UNITED STATES[1] 1931, CLASSIFIED BY SIZE
(Source: *Recent Corporate Profits in the United States*, by Solomon Fabricant, Bull. No. 50, National Bureau of Economic Research, Apr. 18, 1934.)[2]

Size (total net assets in thousands of dollars)	*Number of reporting corporations*	*Aggregate net profits after tax (in millions of dollars)*	*Aggregate net profits after tax relative to total stock equity (per cent)*
Under 50	182,447	−415	−21.7
50 to 100	61,144	−218	−9.1
100 to 250	63,428	−353	−6.5
250 to 500	31,052	−268	−4.6
500 to 1,000	19,335	−271	−3.9
1,000 to 5,000	18,345	−591	−3.0
5,000 to 10,000	2,588	−166	−1.8
10,000 to 50,000	2,117	−104	−.5
50,000 and over	632	1,507	+2.2

[1] Excluding corporations not reporting balance sheets.
[2] 74th Congress 1st Session, Hearings before the Committee on Finance of the Senate, p. 212.

TABLE 8.—ALL CORPORATIONS FILING BALANCE SHEETS WITH RETURNS IN 1932, DISTRIBUTED BY AMOUNT OF TOTAL ASSETS[1]

Assets class (thousands of dollars)	*Number of returns*			*Total assets (millions of dollars)*		
	Number in class	*Number cumulated*	*Per cent cumulated*	*Amount in class*	*Amount cumulated*	*Per cent cumulated*
Under 50	206,477	392,021	100.0	3,870	280,083	100.0
50 to 100	58,320	185,544	47.3	4,153	276,213	98.6
100 to 250	59,500	127,224	32.4	9,414	272,060	97.1
250 to 500	28,422	67,724	17.3	9,988	262,646	93.8
500 to 1,000	17,590	39,302	10.0	12,289	252,658	90.2
1,000 to 5,000	16,705	21,712	5.5	34,432	240,369	85.8
5,000 to 10,000	2,442	5,007	1.3	16,857	205,937	73.5
10,000 to 50,000	1,947	2,565	.7	39,839	189,080	67.5
50,000 and over	618	618	.2	149,241	149,211	53.3

[1] 74th Congress, 1st Session, Hearings before the Committee on Finance of the Senate, p. 213.

federal government, the tendency of size to beget monopoly, and the desirability of encouraging small enterprises lest our "competitive economic society cease."

Among the data submitted by the Treasury in support of the President's proposals are those in Tables 7 and 8.[6]

[6] 74th Congress, 1st Session, Hearings before the Committee on Finance of the Senate on H. R. 8974, pp. 209-234.

These figures reveal a great concentration of corporate assets and income and, according to Mr. Jackson of the Treasury, indicate the much greater than proportionate ability of larger corporations to pay income taxes. Among the many advantages of the larger corporations justifying higher taxes he cited the following more obvious ones:

(1) As buyers of commodities and services, the large volume of their purchases gives the larger corporations a bargaining power that often results in price concessions which smaller concerns do not share.

(2) Through widely distributed branch plants and warehouses they are able to effect important savings in transportation costs and to sell in a nation-wide market.

(3) Their large resources enable them to buy up important patents, often to pool these patents with those obtained by other large enterprises, and to carry on research programs, the fruits of which, while of public as well as private benefit, accentuate their competitive advantages over their smaller rivals.

(4) In many cases large concerns have become of such dominating size that they are able to control the markets for their products, enabling them to maintain prices that protect their profit margins.

(5) Large corporations possess distinct advantages over their smaller competitors in the facility and cost of financing, for they are able to tap the large reservoirs of capital that are made available through the organized financial markets.[7]

To show the effect of illustrative graduated rates upon certain selected corporations Mr. Jackson presented the data in Table 9.

TABLE 9.—EFFECT OF GRADUATED CORPORATION INCOME TAX UPON EARNINGS APPLICABLE TO COMMON STOCK FOR SELECTED INDUSTRIAL CORPORATIONS[1]

Corporation	*1930 reported earnings per share, common*	*1930 earnings adjusted for 1934 tax rate*	*1930 earnings adjusted for graduated tax*	*Decline due to graduated tax*	
				Amount	*Per cent*
Corporation A	$9.12	$8.93	$8.52	$0.41	4.6
Corporation B	1.65	1.63	1.60	.03	1.8
Corporation C	8.08	7.91	7.54	.37	4.7
Corporation D	3.12	3.09	3.03	.06	1.9
Corporation E	4.46	4.41	4.30	.11	2.5

[1] Based upon rates shown in Table 10.

Sources: *Moody's Industrials* for number of common shares and published earnings per share; Bureau of Internal Revenue for corporation income tax liability; 74th Congress, 1st Session, Hearings before the Committee on Finance of the Senate, p. 220.

The House was not very friendly to the graduation of corporate income taxes, preferring the excess profits tax principle. It did, however, provide for a rate of 13¼ per cent upon the first $15,000 of net income and 14¼ per cent upon the remainder. This would have decreased the existing tax

[7] 74th Congress, 1st Session, Hearings before the Finance Committee of the Senate on H. R. 8974, p. 217.

TABLE 10.—GRADUATED TAX ON CORPORATION INCOME—ESTIMATED INCREASE IN REVENUE $102.2 MILLIONS[1]

Income bracket (in thousands of dollars)	*Rate (per cent)*	*Total tax[2] (in dollars)*	*Percentage of tax to total taxable income[2]*
Up to 2	10	200	10
2 to 15	13¼	1,955	13.03
15 to 40	14	5,455	13.64
40 to 100	15	14,455	14.46
100 to 300	16	46,455	15.49
300 to 1,000	17	165,455	16.55
Over 1,000	17½	......	.....

[1] Data presented by the Treasury for illustrative purposes; 74th Congress, 1st Session, Hearings before the Committee on Finance of the Senate, p. 209.
[2] Computed on upper limit of brackets.

slightly upon corporate incomes under $30,000 and increased it slightly upon corporations having larger incomes.

The Senate Finance Committee proposed a schedule of four rates beginning at 12½ per cent on the portion of net income not in excess of $15,000 and rising to 15½ per cent on the portion in excess of $100,000. This would not have increased existing income taxes on corporations with incomes of $50,000 or less. The rates enacted into law were as follows:

Graduated Taxes on Corporation Income

12½ per cent upon net incomes not in excess of $2,000
13 " " " " " of $2,000—$15,000
14 " " " " " " $15,000—$40,000
15 " " " " " in excess of $40,000

In the depression year, 1932, only 3,730 corporations, or about 4½ per cent of the 82,646 paying income tax, had net incomes over $50,000; in the boom year 1929, only 8,044, or less than 4½ per cent of the 186,591 paying income tax, had net incomes over $50,000.

The Senate proposed, and the law as enacted provided for, the exemption of income donated by corporations for specified charitable purposes up to 5 per cent of the annual income. This was strenuously urged by the directors of charitable organizations and just as strenuously opposed by the Administration. By opponents, such contributions were considered as advertising expenditures.

Tax on Intercorporate Dividends

The tax on intercorporate dividends was recommended by the President as a means of preventing the evasion of the graduated tax upon incomes. If large corporations were split up to reduce the graduated tax, they would be reached by the tax on intercorporate dividends. The Treasury estimated,

on the basis of the illustrative graduated corporate income taxes shown in Table 10, that the tax on intercorporate dividends would vary from 1½ per cent to 2⅝ per cent, if the tax applied to 15 per cent of such dividends, as was proposed by the Senate Finance Committee. In the case of pyramided complex holding companies, such taxes might amount to 8 or 10 per cent. In the case of one large public utility holding company with many subsidiaries, which the Treasury took for illustrative purposes, it was estimated that this tax would have amounted to 12 cents per share in 1930; in the case of a certain large industrial company with many subsidiaries, 5 cents a share in the same year.

Mr. Jackson stressed the secondary effects of such taxes on dividends in discouraging undesirable practices of holding companies:

The tax problems arising out of systems of holding companies, subholding companies, operating companies, and mixed companies, are very serious. For example, one such system as of December 31, 1933, contained approximately 270 companies of which 128 were public utility operating companies located in several and widely separated states, and at least 31 of which would be classed as subholding companies. The corporation filed consolidated returns showing no tax due in any of the years 1929 through 1933. The system was not so modest about its profits in its reports to stockholders, and the Bureau began the task of audit. The auditing to date has required the services of 108 field agents for an aggregate period of 11,488 days, the services of 16 auditors for a period of 2,640 days, as well as the services of the supervising staff. The task is not yet nearing satisfactory completion. The investigation is complicated by the great volume of security transactions among the different companies of the group. In some instances securities were transferred through as many as 10 intermediary companies on the way from starting point to destination. A dollar of earnings would likewise run through several companies before reaching a resting place.

Some of these holding companies have imposed charges upon underlying operating utilities for the income-tax liability which the operating companies would have paid if they had filed a separate return. Then by eliminating the profit through the consolidated return, no tax was paid to the government. The holding company had collected the tax and kept it for itself. One company collected from its subsidiaries between 1926 and 1929 in excess of one and one-half million dollars on this basis. This particular device is probably now defeated by withdrawing the privilege of filing consolidated returns.

Elimination of consolidated income-tax returns does not eliminate the necessity for auditing these gigantic systems, nor does it make the problem less difficult. Managements that are so disposed still find it possible to shift security transactions from one company to another for the purpose of allocating losses or profits so as to avoid taxes, and can still control and divert earnings from one to another unit in the form of service charges, accountancy, tax consultant, and management fees, and by various other changes can so reduce taxable income of some units and increase net income of others that they can accomplish many of the results of consolidated returns.

It is almost impossible, with systems of this magnitude and complexity, to determine the tax status of many companies. And, after an audit is made, the situation is easily and rapidly changed, to avoid its results.

In 1929, a certain corporation recorded on its books a capital gain in security

transactions of $18,000,000 which was eliminated through a consolidated return. The Bureau found, however, that there was no lawful basis for the consolidated return, and the resulting tax was about $2,000,000. However, it was then discovered that a letter, written in 1933, purported to confirm what was claimed to have been an oral agreement made in 1929, although it had for years been left unwritten. By its terms the two companies declared their transactions to be continuing and not to be finally fixed and determined until all taxes were finally paid. The object of the device was apparently to prevent the closing of the transactions in 1929 and to throw the profit in whatever year was found to be convenient.[8]

The House did not follow the suggestion of the President with reference to a tax on intercorporate dividends, though it favored consideration of the proposition on its merits at a later date in connection with "discouraging chains of holding companies." The Senate proposed that such a tax should apply to 15 per cent of such dividends; the law as enacted applies it to 10 per cent of them. The exemption of investment trusts, as recommended by the President, was not provided for.

Excess Profits and Capital Stock Taxes

As mentioned above the House of Representatives, at least, its Committee on Ways and Means, preferred the excess profits tax principle to that of a graduated corporation income tax which has no regard for the rate of profit. There was already in effect an excess profits tax of 5 per cent upon net income in excess of 12½ per cent of declared capital and there was also a capital stock tax of $1 per $1,000 of capital (1/10 of 1 per cent).

Capital stock taxes bring in relatively stable revenues regardless of profits but are rather onerous in times of severe depression. Excess profits taxes yield extremely fluctuating revenues but they are more in accord with ability to pay. Our war and excess profits taxes, with their high rates upon large profits, yielded immense sums at the height of the emergency; but the complexities of determining invested capital under such high rates were too great for the ingenuity of our Treasury officials and the peace-time patriotism of taxpayers. So this tax was repealed in 1921. Under the National Industrial Recovery act and recent revenue acts a rather clever tax combination to produce modest revenues was devised by allowing corporations to name whatever capital stock figures they chose. Thus the government could avoid the expense and litigation of Treasury determinations. The law required that the capital figure chosen should continue for future years except for proper adjustments for actual additions or decreases of capital. The higher the corporation set its capital stock figure the larger its capital stock tax, but the smaller its excess profits tax. During a depression when profits were very low or non-existent there would be inducement for a corporation to set the capital figure low but, if this were done

[8] Senate Finance Committee Hearings, pp. 223-224.

with no regard to the future, prosperous years might bring heavy excess profits taxes.

Under the Revenue act of 1934 corporations were favored by being given a second opportunity to choose any capital stock figures they wished; and one question raised while preparing the recent measure was whether they should be given a third opportunity of the same kind. This was finally agreed to, though this and previous laws have said, "which declaration of value cannot be amended" except for subsequent changes in actual capital.

Mr. Jackson of the Treasury argued for the graduated tax on corporate net income instead of the excess profits tax, largely on the ground of more stable revenue yields.

The House proposed no change in the capital stock tax but a rather elaborate increased excess profits tax. Under this tax, it would have exempted the first 8 per cent of net income, but would have applied a 5 per cent tax upon income between 8 and 12 per cent of declared capital, a 10 per cent tax on income of 12-16 per cent; a 15 per cent tax on income of 16-25 per cent; and a 20 per cent tax on the excess above 25 per cent.

The Senate proposed to increase the capital stock tax to $1.50 per $1,000 of capital; to exempt 10 per cent of net income from the excess profits tax; to apply a 6 per cent tax to net income of 10-15 per cent of declared value, and a tax of 12 per cent on net income in excess of 15 per cent.

The law as enacted was a compromise: $1.40 per $1,000 of capital stock and the corporate excess tax rates as proposed by the Senate.

Personal Holding Company Tax

The new law contains the proposal of the Senate Finance Committee to extend both lower and upper rates and brackets of the penalty tax upon personal holding companies availed of presumably to avoid income surtaxes. The tax rates on undistributed adjusted net income of such companies now begin at 20 per cent upon amounts not in excess of $2,000 and rise to 60 per cent upon amounts in excess of $1,000,000.

Constitutional Amendment to Eliminate Tax-Exempt Government Securities

The President's recommendation for a constitutional amendment which would permit federal, state and local governments to tax the income from each other's securities did not get very far, though the Senate did adopt by a vote of 39 to 40 an amendment of Senator Borah providing for a statutory removal of the tax-exempt privilege from all future federal government issues. The truth is that the states and local units are unwilling for the federal government to tax their issues and the federal government is unwilling to exempt its securities if it cannot tax those of states and local

units of government. Moreover, no national or local administration is anxious to have this exemption removed from its own issues in the face of large borrowings in the near future. Many who rail against tax exempts seem to forget that they have already eaten their cake in the form of lower taxes to pay lower interest rates which they have enjoyed. On the whole, it would probably be better to eliminate future tax exempts, but the case is not proved and much of the discussion about this subject is not well informed.

Effective Dates

Except as otherwise provided the Act of 1935 became effective upon approval August 30, 1935. The graduated income taxes on corporations, the new surtax rates on individuals and the taxes on personal holding companies apply to the taxable years beginning after December 31, 1935. The capital stock and excess profits taxes apply to the taxable year ending June 30, 1936, the gift tax to 1936 and subsequent years.

Summary of Objections

It may be well to give a summary of the most common objections to the bill; the arguments for it have been summarized more fully above. Various Democrats as well as members of the opposition party joined in the attack. The statement in the minority report of the Senate Finance Committee is typical.

> Before attempting a detailed discussion of our position, we summarize our objections as follows:
>
> (1) The bill is not a revenue measure for the following reasons:
>
> (a) The only argument advanced in support of the bill is that "the President wants it."
>
> (b) The bill is avowedly based solely upon "share-the-wealth" and "social control" fantasies; and the raising of revenues, if any revenue will be raised, is admittedly incidental.
>
> (c) The enactment of the bill is directly contrary to the President's recommendations in his annual budget; and no budget estimates have been submitted upon which a revenue measure may appropriately be based.
>
> (d) There is a demand for speed—yet no revenues can conceivably result during the calendar year 1935; only in insignificant amounts, under the most optimistic estimates, during the fiscal year 1936; inconsequential revenues (accepting the estimates as accurate) will be produced in the fiscal year 1937; and the proposed taxes can become wholly effective, from a revenue point of view, only in the fiscal year 1938.
>
> (2) The proposed bill violates every sound principle of taxation.
>
> (3) The majority party, both in the House of Representatives and as represented on this committee, evidence an utter disregard for obvious inequities and patent absurdities. . . .
>
> We believe that the following title would more adequately and accurately describe the measure:

"A bill to confiscate property; to discourage business and prevent its expansion; to destroy incentive and discriminate against ability, brain, ambition, and enterprise; to create greater inequalities in the inequitable distribution of existing tax burdens; to promote unemployment and to obstruct recovery; to jeopardize the financial position of the government; and for other improper purposes."

The opposition availed little, however, in the face of the Administration's command of the situation.

Comments and Conclusions

Limitations of space prevent the presentation of much valuable data that would illuminate greatly several of the important controversial issues of this revenue measure. Among the many points made by others than officials it seems worth while to mention, however, a few which were called to the attention of the Senate Finance Committee by Professor Fred R. Fairchild of Yale University, representing the Chamber of Commerce of the United States.

It is seldom that British taxes have been compared so frequently with American taxes and proposed taxes. Many, however, overlook important differences that are seldom cited. The British have not state income and death taxes in addition to national taxes of these types, they have not the same overlapping of normal income and surtaxes upon dividends, they do not tax capital gains or deduct capital losses, they have not the capital stock tax or the gift tax, nor have they a property tax that approaches ours in severity. When asked what he thought of our following the British practice with respect to capital gains and losses, Mr. Robert Jackson replied with ironic humor that we do follow half way, we tax the gains but do not permit deduction of losses.

It was also pointed out by Professor Fairchild that high federal taxes make it difficult for states and local units to raise funds to meet their expenses and make necessary federal aid with all of the evils connected therewith; that high corporation taxes lessen dividends and ultimately individual tax contributions to the government; that business conditions determine revenue yields much more than do tax rates; and that the new taxes are passing out of the field of income into that of capital taxation with all that this involves.

In the framing of the new tax law the more responsible congressional leaders, particularly those in the revenue committees, appeared unusually anxious to carry out the wishes of the President. They seldom presented arguments or expressed opinions or made defenses but asked if this or that proposal squared with the President's suggestions. Apparently everything was done to press the measure through with the greatest possible speed.

Most of the main proposals of the President were enacted into law, though there were several exceptions on matters of more or less significance. For example, the graduation of the corporation income tax was less exten-

sive than he suggested and the excess profits tax which he did not mention was increased and graduated as a partial substitute; limited corporation gifts to charity were exempted; the requested inheritance and gift taxes were not provided for but the existing estate tax and the gift tax correlated with it were increased; there was no earmarking of death taxes for national debt reduction; the taxation of 10 per cent of intercorporate dividends was voted but investment trusts were not exempted; the graduation of surtaxes upon individual incomes was extended to lower amounts than suggested in the President's message but this can hardly be cited positively as an exception because his figures may have been illustrative; the constitutional amendment to permit the general taxation of government securities got nowhere. But as noted above, this law appears to embody the chief proposals of the President's message; it may or may not serve to achieve the political ends which his opponents allege that he had primarily in mind. The writers do not claim to be mind readers or political seers.

The Revenue act of 1935 will prove to be very important if time shows that it marks a distinct turning point in the use of taxation for the decentralization of wealth and of business organizations, for "social" purposes as opposed to "fiscal" purposes. It seems more probable that it may check the acceleration of the movement rather than reverse it permanently. The use of taxes primarily for other than revenue purposes is not new to those who have long known protective tariffs and excises, processing taxes, banknote taxes and numerous other similar measures.

From the standpoint of immediate revenue, a bill that raises only enough to meet the government expenditure of a few days cannot be considered of overwhelming significance. Its opponents claim that it will tend to dry up the sources of revenue. It is possible that it may have this tendency in the long run—who really knows?—but just as it will be a poor producer of immediate revenue so will it likewise fail to distribute wealth very fast, in fact, only at the rate of a quarter of a biliion dollars a year which is about one half of one per cent of the estimated annual income at the present time. How much it will check wealth production may be another matter.

It seems, however, that such a measure is important enough to justify more deliberate and careful consideration than was given. The methods used to hurry it through lent much color to the very general and heated charges of undue political partisanship. But despite all of the attempts of business interests, of Secretary Roper's Business Advisory Council, of partisan opponents and others to postpone or delay consideration, on the one hand, and despite the attempt of silverites, bonusites, and others to delay or kill by attaching their amendments, on the other hand, nevertheless, all serious opposition appears to have been bought off with promises or bowled over by the huge Administration majority.

There can be no denying that the President's message was an attack upon

wealth; he and his loyal followers would say, not upon innocent wealth but upon concentrated, monopolistic, tax-evading, unsocial wealth, and particularly upon that taken from the masses by the vicious, pyramided, conscienceless holding companies. Nor can it be denied that the diverting of taxation from the primary purpose of raising revenue to other major purposes involves great hazards. That there are tremendous abuses that should be remedied can admit of no question. But how best eliminate the abuses and yet do a minimum of harm; how best promote ingenuity, enterprise, economy, social security and all the other desiderata becomes ever more difficult with the growing complexities of modern industrial society. In any case the deeper one digs into the facts and the more he learns of the actual difficulties of administering the various American taxes, the more he is impressed if not overwhelmed with the complications of the whole undertaking.

But changes are inevitable and governmental improvements must accompany industrial changes if the economic and social organization is to function properly. Social organization and control usually lag behind; if they lag too much we get into the difficulties which we have been experiencing lately; on the other hand, if we have too rapid radical revolution, we risk more danger of destruction than by following a policy of liberal evolution. The recent revenue act is only one, and not necessarily the most radical or far-reaching, of a whole series of new measures which if maintained and extended will mark the greatest economic and social revolution in the history of this country. Statesmanship requires that the Ship of State shall not be allowed to rot in a stagnant Sargasso Sea nor be rent asunder by explosions of dynamite in its hold nor be dashed on the rocks by the tidal waves of radically revolutionary storms and earthquakes. Not too slow, not too fast, should be our motto. Can a democracy develop the political genius, the ability to coöperate in mass, necessary to guide and control, rather than be overwhelmed by, the relentless and inevitable forces of technical and social evolution? Are we going in the right direction, and if so, are we going too slowly or too fast? The writers fear that our people as a whole are not as yet prepared to coöperate sufficiently to advance at the speed which the President indicates that he desires; they hope their fears are unjustified.

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MALTHUSIANISM IN LATE EIGHTEENTH CENTURY AMERICA

Opinions tinctured with the Malthusian dictum, "population grows to the limits of subsistence," were expressed by Benjamin Franklin and writers influenced by him as well as by Madison, Jefferson, Ellsworth, and Adams. Franklin utilized his population doctrine to refute the arguments of those who favored the restriction of manufacturing by the colonists or opposed granting the American colonists the right to migrate westward or into Canada. Franklin implied that in the long run population could neither be increased nor decreased by migration, that eventually population pressure would reduce wages and lead to the establishment and spread of manufacturing in the colonies. The American writers believed that population could double every 20 or 25 years under favorable conditions. While they developed no law of diminishing returns, the American writers believed that poverty, etc., accompanied population pressure. None specifically advocated moral restraint, however. Only Adams employed Malthusianism to attack radicalism.

I

In the period 1750-1800 American thinkers observed, as did European writers,[1] that population proportions itself to subsistence. Benjamin Franklin built on Malthusian foundations a pro-colonist doctrine designed to appeal to mercantilist prejudices. John Adams replied in Malthusian terms to the agrarian radicals. Others were content to follow Franklin or to note the implications of population pressure.

In 1751[2] Franklin developed effectively the major premise that population grows up to but cannot exceed the limits of subsistence.

[1] See C. E. Stangeland, *Pre-Malthusianism Doctrines of Population*, New York, 1904; R. Gonnard, *Histoire des Doctrines de la Population*, Paris, 1923. In the seventeenth century, especially prior to 1660, those interested in the development of the American colonies frequently argued that, since England was "overpopulated," emigration to the colonies would ease population pressure and thus reduce crime, diminish unemployment, and lower taxes and the cost of poor relief. American observers, while aware that population pressure made life difficult in England, favored the increase of the population of the colonies on the ground that production, wealth, trade, prosperity, etc., in the colonies would be increased thereby. (See E. A. J. Johnson, *American Economic Thought in the Seventeenth Century*, London, 1932, pp. 49-54, 108-10, 117, 140.)

[2] See A. H. Smyth, *The Writings of Benjamin Franklin*, New York, 1907, vol. 3, pp. 63-73. Franklin's *Observations* were inspired by British restrictions on manufacturing by the colonists. The *Observations* were published in 1755 and later were reprinted in Burke's *Annual Register*, London, 1760, pp. 191-196. See footnote 17.

In a letter to James Parker, dated March 20, 1750, and published in New York in 1751, Franklin anticipated his later views on population. For, having observed that the influx of Germans threatened to Germanize Pennsylvania and that "the Dutch under-live, and are thereby enabled to under-work and under-sell the English," Franklin contended that "equal numbers might have been spared from the British Islands without being missed, and on proper encouragement would have come over . . . without lessening the number of people at home. I question, indeed, whether there be a man the less in Britain for the establishment of the colonies. An island can support but a certain number of people: When all employments are full, multitudes refrain from marriage, till they can see how to maintain a family. The number of Englishmen in England cannot by their present common increase be doubled in a thousand years; but if half of them were taken away and planted in America, where there is room for them to increase, and sufficient employment and subsistence, the number of Englishmen would be doubled in 100 years: for those left at home would multiply in that time so as to fill up the vacancy, and those here would at least keep pace with them." See Smyth, *op. cit.*, vol. 3, pp. 43-44.

For people increase in proportion to the number of marriages and that is greater in proportion to the ease and convenience of supporting a family. When families can be easily supported, more persons marry, and earlier in life.

. . . .

There is, in short, no bound to the prolific nature of plants or animals, but what is made by their crowding and interfering with each other's means of subsistence. Was the face of the earth vacant of other plants, it might be gradually sowed and overspread with one kind only, as for instance, with fennel; and were it empty of other inhabitants, it might, in a few ages, be replenished from one nation only, as for instance, with Englishmen.

. . . .

In fine, a nation well regulated is like a polypus, take away a limb, its place is soon supplied; cut it in two, and each deficient part shall speedily grow out of the part remaining. Thus, if you have room and subsistence enough, as you may say, by dividing, make ten polypuses out of one, you may, of one, make ten nations, equally populous and powerful; or, rather, increase a nation tenfold in numbers and strength.[3]

Franklin reasoned on the basis of this premise that, although war, pestilence, urbanization[4] and luxurious tastes constitute obstacles to marriage, and/or natural increase, population growth is governed primarily by the determinants of the food supply. For among the checks to marriage and hence to the growth of a people he placed:
(1) "the being conquered," involving tribute, etc., to foreigners; (2) loss of territory; (3) loss of trade resulting in a decrease in employment; (4) loss of a food source (*e.g.*, a fishery); (5) "bad government and insecure property," heavy taxes, etc., which discourage industry and encourage emigration; (6) "the introduction of slaves" which makes for concentration of wealth and inculcates a dislike for industry among the master class.[5] Among the factors which foster marriage and population growth Franklin placed: (1) laws to promote trade, employment, invention, and food production, and to provide security of property; (2) laws to check the consumption of luxuries; (3) privileges to the married; (4) the inculcation of habits of industry and frugality and "industrious education."[6] His premise led him moreover, to anticipate F. A. Walker's conclusion that immigration constitutes not an addition to but replacement of the domestic population.

The importation of foreigners into a country, that has as many inhabitants as the present employments and provisions for subsistence will bear, will be in the end no increase of people, unless the newcomers have more industry and frugality than the native, and then they will provide more subsistence and increase in the

[3] *Ibid.*, ¶2, 22, 23. Malthus cited ¶2 in the second and later editions of his *Essay*. See book 1, ch. 1.

[4] In cities luxurious tastes are more widespread; many have to defer marriage because of the lack of adequate employment. "Hence cities do not, by natural generation, supply themselves with inhabitants; the deaths are more than the births." *Ibid.*, ¶3, ¶4.

[5] *Op. cit.*, ¶13. Franklin stated also that, since the white slave owners did not work, they "are enfeebled, and therefore not so generally prolific."

[6] *Ibid.*, ¶14, 15, 16, 19, 20.

country; but they will gradually eat the natives out. Nor is it necessary to bring in foreigners to fill up any occasional vacancy in a country; for such vacancy (if the laws are good) will soon be filled by natural generation.[7]

Franklin's major premise underlies his recommendation that the importation of luxuries be prohibited and that their use be discouraged. For, while noting that the prevalence of luxurious tastes conduces to the deferment of marriage,[8] he emphasized, as did Cantillon and Mirabeau, that the use of resources for luxurious consumption diverts them from use for the creation of the subsistence whereon the support and growth of numbers depend.

Foreign luxuries, and needless manufactures, imported and used in a nation, do, by the same reasoning, increase the people of the nation that furnishes them, and diminish the people of the nation that uses them. Laws, therefore, that prevent such importations, and on the contrary, promote the exportation of manufactures to be consumed in foreign countries, may be called (with respect to the people that make them) *generative laws,* as, by increasing subsistence, they encourage marriage. Such laws, likewise, strengthen a country doubly, by increasing its own people, and diminishing its neighbors.[9]

He believed, however, that luxurious tastes would not spread in America and observed, in 1784, that "if the importation of foreign luxuries could ruin a people, we should probably have been ruined long ago."[10]

On the basis of his population theory Franklin argued that American colonial development would foster British industry and population growth; that, given an expansive colonial policy, Britain need not fear colonial manufacturing nor prohibit it; that it was to Britain's interest not only to permit the colonists to migrate westward but also to acquire Canada from the French; that emigration from Britain to the colonies could not depeople the mother country.

Noting that although the American population doubled every twenty years[11] and that "it will require many ages to settle it fully,"[12] Franklin rec-

[7] *Ibid.,* ¶21.

[8] "The greater the common fashionable expense of any rank of people, the more cautious they are of marriage" (*ibid.,* ¶18). This statement has led certain writers to suggest that Malthus derived his notion of "moral restraint" from Franklin. (For instance see Smyth, *op. cit.,* vol. 1, p. 144; Lewis J. Carey, *Franklin's Economic Views,* New York, 1928, p. 58; W. A. Wetzel, *Benjamin Franklin as an Economist,* Johns Hopkins University Studies in Historical and Political Science, vol. 13, 1895, p. 29.) It is improbable, however, that Malthus did derive his conception of moral restraint from Franklin.

[9] *Op. cit.,* ¶16.

[10] See *The Complete Works in Philosophy, Politics, and Morals of the Late Dr. Benjamin Franklin,* London, 1806, vol. 3, p. 397; also Smyth, *op. cit.,* ¶17-18. Franklin declared that the most frugal and industrious religious sect of a country would increase most rapidly by natural generation (Smyth, *op. cit.,* ¶20). He admitted in 1784, however, that the desire for luxuries might constitute a "great spur to labour and industry." (*Memoirs of Benjamin Franklin,* Philadelphia, 1840, vol. 1, p. 577.)

[11] He estimated the number of marriages at 20 per 1,000 persons and the births per marriage at eight (Smyth, *op. cit.,* ¶7). A. J. Lotka and Weld A. Rollins have practically

ommended that Britain obtain adequate land ("room enough") from the French North American possessions, "since on the room depends so much the increase of her people"[13] and the growth of the colonial market for British manufactures. For America's high rate of natural increase was attributable to the earliness and the frequency of marriage made possible in turn by the cheapness and plenitude of land and the high wage level. Moreover, given an abundance of land and high wages, the colonists could not economically establish manufactures and hence would continue in the extractive industries.[14]

> The danger therefore, of these colonies interfering with their mother country in trades, that depend on labor, manufactures, etc., is too remote to require the attention of Great Britain.
>
> But, in proportion to the increase of the colonies, a vast demand is growing for British manufactures; a glorious market, wholly in the power of Britain, in which foreigners cannot interfere, which will increase, in a short time, even beyond her power of supplying, though her whole trade should be to her colonies.[15]

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confirmed this estimate of Franklin. (See *Journal of American Statistical Association,* vol. 22, 1927, pp. 154-170; *Journal of Heredity,* vol. 21, 1930, pp. 387-399.) Adam Seybert, M.D. (*Statistical Annals of the United States of America,* Philadelphia, 1818, pp. 49, 52) cited De Witt Clinton, Humboldt, and Blodgett to the effect that there were two births for each death; he quotes from Beaujour's *View of the United States* that "no human consideration . . . operates as a hindrance to reproduction, and the children swarm on the rich land . . . as do insects." Seybert declared that Malthus had overestimated the rate of increase in the United States. Seybert denied that the westward migration of the American population indicated overpopulation in the eastern states. As cause, he cited "the low price of the lands, in the new countries, and the facilities of the soil and climate" (*op. cit.,* pp. 26-27, 46). For an English view of rapid growth of America see J. Bristed, *America and Her Resources,* London, 1818, p. 20.

[12] Smyth, *op. cit.,* ¶8.

[13] *Ibid.,* ¶5, 6.

[14] Franklin was careful to show that free labor in England was cheaper than slave labor in America and that consequently the presence of slave labor would not enable America to compete with England in manufacturing. "The labour of slaves can never be so cheap here, as the labour of working men is in Britain." Franklin said that Americans purchased slaves because hired men would not long remain with employers, preferring to set up independently. *Ibid.,* ¶12.

[15] *Ibid.,* ¶9, 10. Franklin had little use for manufacturing apparently. He was so impressed by the deplorable conditions among the British workers that he wrote, "In the possession and enjoyment of the various comforts of life, compared to these people, every Indian is a gentleman." Cited by Wetzel, *op. cit.,* p. 37. In another place he defined "commerce" as "cheating" and recommended manufactures on the grounds that "by their means our traders may more easily cheat strangers" since it is more difficult to judge the original cost of manufactured than of raw goods. See *Memoirs of Benjamin Franklin,* Philadelphia, 1840, vol. 2, p. 429. Franklin's views on population were also expressed in a short paper designed to advise immigrants to America. See *Complete Works,* vol. 3, pp. 403, 406-407.

George Tucker, who lectured upon political economy at the University of Virginia, was not as enthusiastic as Franklin concerning the future of Britain if Britain developed into an industrial state dependent upon America for a market. For if Britain were to supply manufactures to a growing American market, the British population would grow "certainly to a number far beyond the ability of her own soil to support." But eventually Americans would manufacture their own goods. Then Britain would lose her market and "feel in its full

In a paper drawn up for the Albany Plan of Union (1754) Franklin advocated the establishment of two settlements west of Pennsylvania and Virginia. Among the reasons for this proposal Franklin cited the fact that the country back of the Appalachians would become populous in view of its natural advantages; that if the French secured the territory they would have more room in which to become populous; that the French would cause the Indians to harass the present colonial frontiers and thus prevent the colonists from securing more land and subsistence and multiplying as a consequence; that "our people, being confined to the country between the sea and the mountains, cannot much more increase in number" since increase is contingent upon possessing access to room and subsistence.[16]

In the *Canada Pamphlet* (1760)[17] Franklin contended that the acquisition of Canada rather than of Guadalupe from France would greatly foster Britain's industrial and demographic growth and insure the colonists' remaining in the extractive industries. With Canada under British control and the colonists freed of the possibility of French attack, the colonists could uninterruptedly multiply and people both the area south of the Great Lakes and east of the Mississippi and that comprised by Canada and thus provide a growing market for British manufactures. Accordingly, since "people increase and multiply in proportion as the means and facility of gaining a livelihood increase" and since Britain, "if they could be employed, is capable of supporting ten times its present number of people," it followed that "in proportion, therefore, as the demand increases for the manufactures of Britain, by the increase of the people in her colonies, the number of people at home will increase; and with them, the strength as well as the wealth of the nation."[18] If, on the contrary, he implied, Canada were

force . . . excessive population" and "decline in opulence and strength." See *Essays on Various Subjects of Taste, Morals, and National Policy,* Georgetown, 1822, pp. 4, 6, 22-23. Franklin himself had observed that England would be incapable of satisfying the growing American demand for manufactures (Smyth, *op. cit.,* vol. 4, pp. 244-45).

[16] *The Complete Works of the Late Dr. Benjamin Franklin,* London, 1806, vol. 3, pp. 41-43. See also James Parton, *Life of Benjamin Franklin,* New York, 1897, vol. 1, pp. 335ff.

[17] See *Complete Works,* pp. 89ff. Full title of the *Canada Pamphlet* is *The Interest of Great Britain Considered with Regard to Her Colonies, and the Acquisition of Canada and Guadalupe.* With this pamphlet Franklin bound his *Observations,* noted above. The *Canada Pamphlet* constituted a reply to William Burke who had roundly criticized a pamphlet by the Earl of Bath in which the latter argued in favor of a definite occupation of Canada. Burke contended that, were Canada acquired, an independence of Britain might be established in North America. Franklin's pamphlet carried the day for, as B. Fäy remarks (see *Franklin, the Apostle of Modern Times,* Boston, 1929, p. 288), "England was finally convinced by Franklin's imperialistic arguments and prepared to annex Canada as though it were an islet in the Bois de Boulogne."

[18] *Ibid.,* pp. 107-108. Franklin adds that even in "populous" places it is "hardly possible to establish [manufactures] to the prejudices of the places *already in possession of them.*" See p. 121. Franklin noted that the density of population in a country depended upon its cultural stage; that numbers were least dense in a hunting economy, more so in an agricul-

not acquired and the colonists were "confined within the mountains," their population would become as dense as that of Britain, land values would rise, wages would fall, extractive employment would prove inadequate, and the colonists would establish manufactures rivaling those of Britain and freeing the colonists of dependence on Britain.[19]

> A people, spread through the whole tract of country on this side the Mississippi, and secured by Canada in our hands, would probably for some centuries find employment in agriculture, and thereby free us at home effectually from our fears of American manufactures. Unprejudiced men well know that all the penal and prohibitory laws that ever were thought on will not be sufficient to prevent manufactures in a country whose inhabitants surpass the number that can subsist by the husbandry of it. That this will be the case in America soon, if our people remain confined within the mountains, and almost as soon should it be unsafe for them to live beyond, though the country be ceded to us, no man acquainted with political and commercial history can doubt. Manufactures are founded in poverty: it is the multitude of poor without land in a country, and who must work for others at low wages or starve, that enables undertakers to carry on a manufacture, and afford it cheap enough to prevent the importation of the same kind from abroad, and to bear the expense of its own exportation. But no man, who can have a piece of land of his own, sufficient by his labour to subsist his family in plenty, is poor enough to be a manufacturer, and work for a master. Hence, while there is land enough in America for our people, there can never be manufactures of any amount or value.
>
> . . . .
>
> The extended population, therefore, that is most advantageous to Great Britain, will be best effected, because only effectually secured, by our possession of Canada.[20]

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tural economy, and at a maximum density in a manufacturing economy. See *ibid.*, p. 108; also *Observations*, ¶5.

Franklin later, in the *Journal d'Economie Publique*, contradicted the above doctrine that manufacturing is possible only where the poor are plentiful and wages are low. That goods may be manufactured for export, said Franklin, it is but necessary that their price be low. But a low price does not of necessity mean low real wages. For, given division of labor, improved equipment, and active and intelligent workmen, the output and wages per worker may be high even though the labor cost per unit of output may be low. See Wetzel, *op. cit.*, pp. 23-24. In general Franklin attributed the "cheapness of labour . . . to the multitude of labourers" and accepted the subsistence theory of wages held by the Physiocrats (Carey, *op. cit.*, pp. 220-221). It is of interest to note in this connection that Franklin, an individualist who effectively expressed what Max Weber called the "capitalist spirit," did not observe that infertility was an advantage in the struggle for pecuniary achievement and did not advocate prudence in respect to family size. Although Franklin believed that "the cheapness of labour is in most cases owing to the multitude of labourers" (Smyth, *op. cit.*, vol. 5, p. 126), he apparently derived personal satisfaction from the growth of both families and peoples (W. C. Bruce, *Benjamin Franklin Self-Revealed*, New York, 1923, vol. i, pp. 103-06).

[19] *Ibid.*, pp. 106-107, 111. To the British recommendation that the French be permitted to remain in Canada to serve as a check to the natural increase of the colonists Franklin replied that Parliament enjoin "the colony midwives to stifle in the birth every third or fourth child" (p. 138).

[20] *Ibid.*, pp. 114-115, 139. Elsewhere he remarks that in general "emigration . . . multiplies a nation" and spreads its culture (Smyth, *op. cit.*, vol. 9, pp. 263-64) and that British emigration to America, where abundance of land and subsistence and the resulting lack of

In a reply to Lord Hillsborough's criticism (1772) of Franklin's proposal, first made in 1760, to establish a colony on the Ohio River, Franklin declared that the colonists had not been provided with enough land to keep their numbers scattered and thus to prevent their establishing manufactures. The "establishment of the governments of Quebec, Nova Scotia," etc., had not accomplished their purpose. For none would "exchange the healthy temperate climate" of the middle colonies for the colds of Canada or the heats of Florida. If a colony of climate and fertility similar to that of the middle colonies is not opened to the colonists, "will not therefore the inhabitants of the middle provinces whose population is great beyond example, and who have already made some advances in manufactures, 'by confining them to their present narrow limits,' be necessarily compelled to divert their whole attention to that object?" The establishment of a colony on the Ohio, said Franklin, would provide an outlet and thus prevent the feared manufacturing.

To clinch his argument Franklin added that the colonists could people such a colony on the Ohio, unaided by British immigration, and that the colonists would emigrate to the regions on the Ohio whether or not the Crown granted permission. Wright, the governor of Georgia, had urged in substance that, were the Ohio territory opened to settlement, "it *must* draw and carry out a great number of people from Great Britain." But Franklin answered, "We do not wish for, and shall not encourage, one single family of his majesty's ***European subjects*** to settle there . . . but shall wholly rely on the voluntary superflux of the inhabitants of the middle provinces for settling and cultivating the lands in question." Legal prohibition could not prevent westward migration. "Neither royal nor provincial proclamations, nor the dread and horrors of a savage war, were sufficient . . . to prevent the settlements of the lands over the mountains." Nor would the recommendation of Hillsborough have this effect, now that Pennsylvania proprietors were interested in colonizing the Ohio country.[21]

Franklin specifically denied that the leaders of a country need apprehend depopulation from emigration or similar causes. To endeavor to prevent emigration by law, he claimed, in urging against a proposed act of Parliament for preventing emigration, was to call for "a law to stop the Thames lest its waters, by what leave it daily at Gravesend, should be quite exhausted." For when a population has increased to a point where all the means of subsistence are required by it, no further increase is possible.

Even a real deficiency of people in any country occasioned by a wasting war or pestilence is speedily supplied by earlier and more prolific marriages, encouraged

"fear of poverty" produced early marriages and rapid population growth, would create a demand for British merchandise and labor and enrich British merchants as well as provide a growing supply of recruits for Britain's wartime military and naval needs (*ibid.*, vol. 6, p. 296).

[21] See *Memoirs*, vol. ii, pp. 214-237, especially pp. 232-234, 237.

by the greater facility of obtaining the means of subsistence. So that a country half depopulated would soon be repeopled, till the means of subsistence were equalled by the population. All increase beyond that point must perish, or flow into more favorable situations. Such overflowings there have been of mankind in all ages, or we would not now have so many nations.[22]

In summary it may be said that while the views of Malthus and Franklin are similar in substance, they differ in tenor and in the use to which they were put. Each stated that population proportions itself to subsistence; that if subsistence increases, numbers will increase presumably in the same degree. Both Franklin and Malthus implied a rather stationary scale or standard of living (approximately at the subsistence level) to which limit population would grow. Neither assumed the possibility of much increase in the content of the customary mode of living. Franklin observed about him a higher scale of existence than Malthus observed in England. Yet Franklin implied that eventually the American scale would be reduced to a level presumably on a plane with that then observed in manufacturing countries. Considering the respective surroundings of the two men, it seems that Franklin attributed less weight to the preventive check than did Malthus. Neither anticipated a great decline in the birth rate. Franklin did not contend, as did Malthus later, that population pressure produced poverty or that moral restraint would mitigate the diffusion and intensity of poverty. Rather Franklin, much a mercantilist, looked upon population growth as a good thing. He approved early marriage on the ground that it would build character, lessen sexual vice, make for compatibility, render man industrious and thus promote human happiness. Franklin used his population doctrines in the manner of a pamphleteering propagandist in an effort to break down British opposition to colonial manufactures, to the migration of the colonists to ultra-Appalachian or Canadian lands, and to the emigration of Britons to the colonies. Although Franklin observed that immigrants with certain qualities "will gradually eat the natives out," he developed no doctrine of selection or survival of the fittest as did Darwin later. Nor did he note or comment upon differential rates of increase in the United States. Rather, being opposed to the view that hereditary differences mark off classes of men, he implied that equalization of opportunity would largely eliminate existing differences among men. Thus Franklin, in his population theory, wrote as one imbued with eighteenth century enlightenment and tinged with some mercantilism.[23]

[22] See Smyth, *op. cit.*, vol. vi, pp. 294-295. Malthus (book i, chap. 8) cites Franklin's statement that the exportation of negro slaves from Africa had not reduced the population of Africa (see Smyth, *op. cit.*, vol. iii, ¶21). Franklin held the right to emigrate to be a natural right (Carey, *op. cit.*, p. 163).

[23] For Franklin's views on heredity see Fäy, *op. cit.*, pp. 229ff., 487ff.; for Franklin's views on early marriage see *Complete Works*, vol. 3, pp. 475-77. Professor Norman E. Himes shows, in an unpublished essay, that the views of Francis Place on the benefits of early marriage were apparently derived from Franklin's works. Franklin's opinions on the

II

During the decade which preceded the appearance of the first edition of Malthus' *Essay,* Mathew Carey,[24] father of Henry C. Carey, published a number of pieces which reflected and which were definitely inspired by Franklin's writings on population.[25]

In 1790 Carey printed an article by an unnamed English writer who cited Franklin's opinions at length.[26] This writer observed that "subsistence determines the degree of population in every country" and that, as a consequence, laws designed to increase population growth would fail "unless the means of subsisting the nation are augmented." He recommended that politicians concern themselves with increasing the means of subsistence rather than population, for men were prone enough to marry and "the passions, which respect the sexes and their offspring seem nearly alike everywhere."

> Every state has in it a certain number of places; or............of niches for subjects; and the multiplication of subjects depends either upon the increase of these niches, or upon the encouragement of such economy as shall enable more subjects to subsist in the same room.[27]

This writer believed that Franklin had neglected "the tendency of poverty to enfeeble a people and keep down its numbers." He declared that the

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rate of increase in the colonies and on the factors which govern population growth were known by Adam Smith, were referred to by Malthus, Arthur Young, and Richard Price, and may have influenced Edmund Burke. Franklin's *Observations* were printed several times in France and England and, according to James Bonar, "made a wide impression everywhere." It is impossible to prove, however, that Franklin's views did more than reënforce the opinions on population growth which were becoming dominant toward the close of the eighteenth century. (For references to Franklin and to views similar to those of Franklin see Bonar, *Theories of Population from Raleigh to Arthur Young,* New York, 1931, pp. 200-205, 228; also Lewis J. Carey, *op. cit.,* pp. 56-60, 106, 221-222.)

[24] Philanthropic mindedness marked most of Carey's views, in part at least even his advocacy of Hamiltonian protectionism which he believed would encourage the migration of artisans to America and foster American population growth. Though not a Malthusian, he suggested (1824) that migration to America would improve the lot of the immigrants and ease population pressure in Europe. In 1826 he published a handbook to advise potential immigrants, some of his instructions resembling Franklin's (*cf. Complete Works,* vol. 3, pp. 398 ff.). Though an exponent of the use of machinery, he suggested that its introduction be regulated and that its untoward effects be alleviated. He denied that poverty was caused primarily by idleness and mismanagement or that charity produced idleness, asserting instead that poverty destroyed character and that public relief of poverty was necessary. See Carey, *Essays on Political Economy* (Philadelphia, 1822); *Appeal to the Wealthy of the Land* (Philadelphia, 1833); Earl L. Bradsher, *Mathew Carey* (New York, 1912), pp. 73-76; K. W. Rowe, *Mathew Carey* (Baltimore, 1933).

[25] These pieces appeared in Carey's *American Museum,* a repository of both original pieces and reprinted articles. Franklin's *Observations* were reprinted in 1789. See vol. 5, pp. 109-112.

[26] *American Museum,* vol. 7, pp. 87-91; vol. 8, pp. 124-128, pp. 260-264. This article appeared in the *Repository,* an English journal, in 1788.

[27] *American Museum,* vol. 7, pp. 87, 90, 91.

augmentation of the food supply was checked in places where "despotism," "indolence," and "prejudices" prevailed. He contended, as had Richard Jackson, an English commentator on Franklin, that Europeans could not settle a colonial area and multiply there until they had acquired such "moral" and "mechanical habits" as were necessary to utilize the natural resources of that colonial area.[28]

This unnamed writer attributed the poverty of the poor as well as the burdensomeness of the English poor laws to the tendency of the poor to marry without forethought and multiply their kind.

> The want of consideration in the poor, prevents their adhering to that celibacy which the better orders of people generally impose upon themselves whenever the means of subsistence are wanting. They marry for their own gratification; and produce an issue, that is to die from distress, or to depend upon the aid of others by its support; and hence one principal cause of the burden of the English poor laws.[29]

There was printed in this same year a letter designed to inform Europeans "disposed to migrate to America." The writer observed that population pressure was a cause of war and that emigration and other factors designed to relieve population pressure would foster peace. "Wars have been promoted . . . by an overproportion of inhabitants to the means of easy subsistence." The opening of America to immigrants coupled with the "late improvements in agriculture," it was said, would relieve this overproportion and thus reduce the probability of war.

This writer went on to observe that emigration cannot occasion permanent depopulation in a country, since it increases the facility with which subsistence may be obtained by those not emigrating. He did not argue that emigration constitutes no permanent relief for overpopulation but rather that the total population of the country of emigration would be increased in the long run. For the emigrants would provide an additional demand for the products of the mother country and thus would make possible an increase of employment in the country of emigration. The writer is thus by implication opposing the mercantilistic restrictions on emigration.

> When a country is so much crowded with people that the price of the means of subsistence is beyond the ratio of their industry, marriages are restrained: but when emigration to a certain degree takes place, the balance between the means of subsistence and industry is restored, and population thereby revived. Of the truth of this principle there are many proofs in the old counties of all the American states. Population has constantly been advanced in them by the emigration of their inhabitants to new or distant settlements.[30]

[28] *Ibid.*, vol. 8, pp. 126, 127, 263-264. For Jackson's comments, see *Memoirs*, vol. ii, p. 424.

[29] *Ibid.*, vol. 7, p. 90. Franklin's view that poor laws but place a premium upon idleness (see *Memoirs*, vol. ii, pp. 430-31) was cited in the *American Museum*, vol. 11, 1792, p. 78. See also Smyth, *op. cit.*, vol. 5, pp. 123, 538.

[30] *American Museum*, vol. 7, 1790, p. 241.

A year later Carey published a piece, shot through with Franklin's influence.[31] The writer contended in substance that men always tend to multiply beyond the capacity of their ability to secure means of subsistence. Man, who can double his numbers in less than twenty years, always procreates a surplus of his kind. For he, like "every species" of animal and plant, "possesses the reproductive principle far beyond the degree requisite for the bare continuance of his species." In the absence of "emigration, to places where a surplus of food is attainable," the surplus human population is destroyed by "infanticide" and "wars and epidemic diseases," or is "starved" for lack of food. The writer lays down six propositions:

(1) Every fully populated country can annually spare a portion of its inhabitants.

(2) Should a country lose more than its surplus, "from this multiplying faculty of human nature . . . the level must soon be restored by the internal resources of life."

(3) "Emigrations may even augment the population of the country permitting them." Thus if 20,000 British migrate to the United States, "the space left by [them] . . . will be speedily filled by a surplus of life, that would otherwise be lost." Hence Britain loses no population. Further the 20,000 British in America can consume the products of 10,000 British workers. Thus, England regains the 20,000 lost and 10,000 extra to work for the 20,000 lost to America, "a clear addition to its flock."

(4) "Freedom of emigration is due to the general interests of humanity." For emigrants move "from places where living is more difficult, to places where it is less difficult." Hence the migrants' "happiness . . . is promoted." Further, "as more numerous progeny is another effect of the same cause, human life is at once made a greater blessing, and more individuals are created to partake of it."

(5) "Freedom of emigration is favorable to morals," because it reduces "illicit intercourse" and the "difficulty of maintaining a family."

(6) Migration from the more settled to the less settled parts of the United States must "quicken the aggregate population," for men move from "a less easy to a more easy subsistence."

III

Whereas Franklin and the several writers influenced by him utilized population theory to advance policies which they favored, Franklin's famous contemporaries were content to observe that population pressure might eventually bring misery to America.[32]

In a letter written to Jefferson, June 19, 1786, James Madison anticipated

[31] "Population and Emigration," from the *National Gazette*, Philadelphia, Nov. 19, 1791, printed in *American Museum*, November, 1791, pp. 221-224.

[32] Alexander Hamilton was an exception. Interested in the development of manufacturing in the United States, Hamilton suggested in 1791 in his *Report on Manufactures* that the establishment of manufactures would promote immigration into the United States and thus augment the produce and revenues of the nation. In 1790 Hamilton suggested as one of the ten topics for Washington's address to Congress, "symptoms of greater population than was supposed, a further proof of progressive strength and resource." See *Works of Alexander Hamilton*, edited by John C. Hamilton, N.Y., 1851, vol. 4, p. 84.

Malthus and drew attention to the difficulties of maintaining such a balance among occupations as to provide employment for all.[33]

Madison says:

I have no doubt but that the misery of the lower classes will be found to abate wherever the Government assumes a freer aspect, & the laws favor a subdivision of property [he would parcel up the hunting, etc., lands of the "idle rich"] yet I suspect that the difference will not fully account for the comparative comfort of the mass of people in the United States. Our limited population has probably as large a share in producing this effect as the political advantages which distinguish us. A certain degree of misery seems inseparable from a high degree of populousness. . . .

No problem in political economy has appeared to me more puzzling than that which relates to the most proper distribution of the inhabitants of a country fully peopled. Let the lands be shared among them ever so wisely, & let them be supplied with laborers ever so plentifully; as there must be a great surplus of subsistence, there will also remain a great surplus of inhabitants, a greater by far than will be employed in cloathing both themselves & those who feed them, and in administering to both, every other necessary & even comfort of life. What is to be done with this surplus? Hitherto, we have seen them distributed into manufactures of superfluities, idle proprietors of productive lands, domestics, soldiers, merchants, mariners, and a few other less numerous classes. All those classes, notwithstanding, have been found insufficient to absorb the redundant members of a populous society; and yet a reduction of most of those classes enters into the very reform which appears so necessary & desirable. From a more equal partition of property, must result a greater simplicity of manners, consequently a less consumption of manufactured superfluities, and a less proportion of idle proprietors & domestics.

Madison thus recognized that mere division of the lands of the idle rich among the poor would not suffice to banish poverty. Years later Madison espoused Malthus' side in the Malthus-Godwin controversy. Commenting on the *Essay* in a letter to Richard Rush (April 21, 1821), Madison writes:

I have looked over Malthus and think the world much indebted to him for the just views he has given of an interesting subject, and for the instructive application he makes of them to a state of things inseparable from old countries, and awaiting younger ones.[34]

Thomas Jefferson expressed himself several times upon the probable consequences of population pressure. In 1781 he stated that Virginia could not support 4,500,000 inhabitants, for this number is greater "than the country spoken of, considering how much inarable land it contains, can clothe and feed, without a material change in the quality of their diet."[35]

[33] *The Writings of James Madison,* edited by G. Hunt (New York, 1901), vol. 2, pp. 247-248. Most of this letter is devoted to the measurements of a dead weasel.

[34] See William C. Rives, *History of the Life and Times of James Madison,* Boston, 1866, vol. ii, p. 94.

[35] *Notes on the State of Virginia,* Boston, 1801, p. 128. This work, written in 1781-82, was first published in 1787.

Jefferson admitted that immigration accelerated the rate of population growth, but favored natural increase as a source of population. For immigrants come from "absolute monarchies" and hence are imbued not with the principles of democracy but with monarchic principles of government. Hence he did not favor any immigrants except "useful artificers" who could teach Americans what they did not know.[86]

Writing to Madison in 1786, Jefferson attributed European poverty in part to the unequal distribution of land ownership and the use of land for amusement.[87] He anticipated population pressure, however, for he declared that "the will of the majority" would preserve liberty and the proposed constitution, "as long as we remain virtuous; and I think we shall be so, as long as agriculture is our principal object, which will be the case, while there remain vacant lands in any part of America. When we get piled upon one another in large cities, as in Europe, we shall become corrupt as in Europe, and go to eating one another as they do there."[88]

[86] *Ibid.*, p. 129. Jefferson distinguished Europe from America in these words. "In Europe the object is to make the most of their land, labor being abundant: here it is to make the most of our labor, land being abundant." (*Ibid.*, p. 130.) Jefferson believed that European political theory rested upon the assumption that the masses are depraved and brutish and that consequently class rule and the exploitation incidental thereto are necessary to public order. (See C. A. Beard, *Economic Origins of Jeffersonian Democracy*, New York, 1915, p. 418.) Jefferson revolted against this theory and favored the development of a homogeneous, democratic American population. While the colonies had no definite population policies, natural increase was encouraged in certain instances by placing disabilities on celibates. Some immigrants were excluded on religious or racial but not on economic grounds. Immigrants of British extraction were usually favored. (See R. L. Garis, *Immigration Restriction*, N.Y., 1927, p. 19; C. E. Stangeland, *Pre-Malthusian Doctrines of Population*, N.Y., 1904, pp. 124-125.) Loammi Baldwin's opinions resembled Jefferson's in regard to immigration. Baldwin held "the union of sexes" to be "the only desirable source of population to a state," for foreign immigrants do not become "wholly domiciliated" in a new country until they have married and established a family and frequently not even then. Baldwin did not specifically oppose immigration, however. While he believed that the state could gain little by encouraging or hindering marriage, Baldwin, accepting the opinions of Malthus and James Steuart, declared that the marriages of those incapable of supporting a family "are pernicious to the whole community." He remarked, however, that "there is certainly very little to fear from want of comfortable support [in the United States] for even a vastly extended population." Baldwin urged the government to obtain complete data on natality, mortality, and the nationality composition of the population. (See *Thoughts on Political Economy*, Cambridge, 1809, pp. 6-19.) While Franklin favored the immigration of what he considered the right type of immigrant, he opposed the introduction of slaves and felons into the colonies and desired the maintenance of a very selective immigration policy for, like Jefferson, he anticipated evil social consequences from the immigration of both unassimilable foreigners and negroes (Smyth, *op. cit.*, vol. 3, pp. 43-45, 72-73; vol. 4, pp. 45-48, 72, 139-41; vol. 9, pp. 34, 177, 627-30; vol. 10, p. 67). A similar opinion was held by William Douglass (*Summary . . . of the British Settlements in North America*, Boston, 1755, vol. 2, p. 326).

[87] *The Writings of James Madison*, footnote, pp. 247-248.

[88] See letter to Madison, December 20, 1787, in *The Writings of Thomas Jefferson*, Washington, 1903, vol. 6, pp. 392-393. Jefferson later declared that, since population doubled in 23-24 years or increased about 3 per cent per annum, every tax would compound at three per cent annually and that it would be unnecessary to redeem by taxes all the treasury notes

Jefferson shared Franklin's estimate of the American rate of increase. Writing to the Count de Montmorin, July 23, 1787, Jefferson expressed himself in favor of free trade and of the view that the government had nothing to do but "not to hinder" merchants.

A century's experience has shown, that we double our numbers every twenty or twenty-five years. No circumstances can be foreseen, at this moment, which will lessen our rate of multiplication for centuries to come. For every article of the productions and manufactures of this, then, which can be introduced into the habit there, the demand will double every twenty or twenty-five years. And to introduce the habit, we have only to let the merchants alone.[39]

In a letter to David Williams, November 14, 1803, Jefferson comments on "too strong a current from the country to the towns; and instances beginning to appear of that species of misery, which you are so humanely endeavoring to relieve with you. Although we have in the old countries of Europe the lesson of their experience to warn us, yet I am not satisfied we shall have the firmness and wisdom to profit by it."[40]

Jefferson expressed his views on population most clearly in a letter to J. B. Say, February 1, 1804.[41]

The differences of circumstance between this and the old countries of Europe, furnish differences of fact whereon to reason, in questions of political economy, and will consequently produce sometimes a difference of result. There, for instance, the quantity of food is fixed, or increasing in a slow and only arithmetical ratio,and the proportion is limited by the same ratio. Supernumerary births consequently add only to your mortality. Here the immense extent of uncultivated and fertile lands enables every one who will labour, to marry young and to raise a family of any size. Our food, then, may increase geometrically with our labourers, and our births, however multiplied, become effective. Again, there the best distribution of labour is supposed to be that which places the manufacturing hands alongside the agricultural; so that the one part shall feed both, and the other part furnish both with clothes and other comforts. Would that be best here? Egoism and first appearances say yes. Or would it be better that all our labourers should be employed in agriculture? In this case a double or treble portion of fertile lands would be brought into culture; a double or treble creation of food be produced, and its surplus go to nourish the now perishing births of Europe, who in turn would manufacture and send us in exchange our clothes and other comforts.

Oliver Ellsworth of Connecticut predicted that population growth would

emitted in the War of 1812 as the growing population would need them. (*Ibid.*, vol. 10, p. 287, vol. 13, p. 365, vol. 14, p. 204.) America's rapid growth, he said, would ensure the settling of the vacant lands of America and a rapidly expanding demand for goods (vol. 6, p. 186; vol. 3, p. 330).

[39] *Ibid.*, vol. 6, p. 186.

[40] *Ibid.*, vol. 10, p. 430.

[41] *Ibid.*, vol. 11, p. 2. Jefferson read a borrowed copy of Malthus' *Essay*, "the only one I have yet heard of," he wrote January 29, 1804, in a letter to Joseph Priestley in which he characterizes the work as "one of the ablest I have ever seen" (vol. 10, pp. 447-448). Jefferson complimented Say for corroborating in his *Traité* the opinions expressed in Malthus' *Essay*, "a work of sound logic" (vol. 11, p. 1).

eventually press wages to a subsistence level, when, in the Constitutional Convention, he replied to the recommendation of George Mason of Virginia, to the effect that the importation of slaves be prohibited.

As slaves also multiply so fast in Virginia and Maryland that it is cheaper to raise than import them, whilst in the sickly rice swamps foreign supplies are necessary, if we go no farther than is urged, we shall be unjust toward South Carolina and Georgia. Let us not intermeddle. *As population increases, poor labourers will be so plenty as to render slaves useless.* Slavery in time will not be a speck in our country.[42]

Ellsworth thus anticipated an argument used later by George Tucker and others to the effect that population pressure would render free labor cheaper than slave labor by the first quarter of the twentieth century.[43]

Of the several American revolutionary leaders who gave expression to Malthusianism, John Adams alone viewed man and nature much as did Malthus. For Adams believed that a large proportion of mankind is irrational and imprudent in respect to the preservation and acquisition of wealth; that but a small proportion possesses property whereas the vast majority of every nation is virtually destitute.[44] Apparently Adams did not expect this state of affairs to change appreciably, for in a letter to John Taylor of Virginia, a Jeffersonian, Adams expressed a Malthusianism to which he seems to have subscribed long before Malthus ever wrote his *Essay*. Adams writes that:[45]

The first want of man is his dinner, and the second his girl, were truths well known to every democrat and aristocrat, long before the great philosopher Malthus arose, to think he enlightened the world by the discovery.

[42] See William G. Brown, *The Life of Oliver Ellsworth,* New York, 1905, pp. 154-155 (italics mine).

[43] Ellsworth fixed no date for the expiration of slavery. Adam Seybert who believed that "the strength and wealth of nations are founded on the number and industry of the people" stated rightly in 1818 that "no one has ventured to predict when our population will be at the maximum, to be checked for want of subsistence." (*Op. cit.,* pp. 51-52.) George Tucker was the first to attempt this. See the writer's articles in the *Journal of Political Economy,* August and October, 1933.

[44] See Beard, *op. cit.,* ch. 11 on "The Political Economy of John Adams."

[45] This criticism of Taylor's political and economic views was written April 15, 1814. See C. F. Adams, *The Life and Work of John Adams,* Boston, 1856, vol. 6, p. 516. Adams (vol. 10, p. 385) ranked as the best work for Americans interested in economics Count Destutt de Tracy's *Treatise on Political Economy* (Georgetown, 1817) which is a decidedly pro-Malthusian work similar to that of J. B. Say. Thomas Jefferson, who shared Adams' opinion, corrected the translation from the unpublished French original. Adams had predicted that de Tracy's work, "a magazine of gunpowder, placed under the foundation of all our mercantile institutions," would be badly received despite its content of "immutable truth." An American reviewer upheld de Tracy's Malthusianism, declared that in all but new countries there was a tendency to overpopulation which required to be held in check by postive checks, by deferred marriage, or by emigration, and concluded that "this view of society gives a much higher character to the art of cookery, by which food can be prepared so as to afford the utmost of its nourishment" (*Analectic Magazine,* vol. 13, March, 1819, pp. 186-187).

It has been equally well known that the second want is frequently so impetuous as to make men and women forget the first, and rush into rash marriage, leaving both the first and second wants, their own as well as those of their children and grandchildren, to the chapter of accidents. The most religious very often leave the consideration of these wants to him who supplies the young ravens when they cry.

The natural, necessary, and unavoidable consequence of all this is that the multiplication of the population so far transcends the multiplication of the means of subsistence, that the constant labor of nine-tenths of our species will forever be necessary to prevent all of them from starving with hunger, cold, and pestilence. Make all men Newtons, or, if you will Jeffersons, or Taylors,[46] or Randolphs, and they would all perish in a heap.

Knowledge, therefore, sir, can never be equally divided among mankind, any more than property real or personal, any more than wives or women.

IV

In view of the materials cited, it is apparent that prior to the appearance of Malthus' *Essay* expression had been given by American writers to the following opinions.

(1) Population proportions itself to the means of subsistence.

(2) Population under favorable conditions tends to double every 20 or 25 years. The writers' lack of attention to subjective checks is probably attributable in part to the fact that at that time subjective checks were unimportant.

(3) That population pressure is ultimately inevitable, some centuries hence, seems to have been a common conclusion. While the law of diminishing returns was not formulated, Franklin must have had something like such a law in mind when he referred to the decreasing facility with which subsistence could be obtained.

(4) Population pressure is conducive to war, political corruption, and misery.

(5) Population growth will ultimately provide a plenitude of labor at low wages and will thus eliminate the need for and the profitability of slavery.

(6) Urban conglomeration is undesirable because it tends to check natural increase and to conduce to political corruption and misery.

(7) The practice of moral restraint was not advocated.[47]

(8) While immigration was not definitely disapproved, it was suggested that immigration tends to prevent the social and democratic homogeneity of the population and that immigrants under given circumstances do not constitute an addition to a population but a replacement of the potential natural increase of that population.

[46] Writing in 1822, John Taylor expressed the opinion that the United States would be free from overpopulation for a long time. "The population may be considerable, and yet a country may not be populous, comparatively with its extent. Such is our case. Whatever may be the actual census of the United States, yet a superabundance of uncultivated land, will long prevent them from being populous." (See *Tyranny Unmasked,* Washington, 1822, pp. 119-20.)

[47] Thomas Ewell, surgeon in the United States Navy, reasoning that oxygen was essential to fruitfulness, wrote that "if there be a situation in which having children would be distressing in the extreme, a remedy or corrective for fruitful nature might be found by embracing only in vessels filled with carbonic acid or azotic gas." Ewell did not state whether children "would be distressing" for economic reasons or reasons of health (*Medical Repository,* vol. 4, Second Hexade, 1807, pp. 131-133).

TRACTOR VERSUS HORSE AS A SOURCE OF FARM POWER

(9) Since population proportions itself to subsistence, emigration cannot depopulate a country. It was not stated definitely, however, that on the same premise emigration cannot permanently relieve overpopulation in a country.

(10) Since manufacturing was considered possible only if a population were dense and wages were low as a consequence, it was contended that, provided the colonists were granted permission to migrate westward and to colonize Canada, the resulting low density of the colonial population would keep the colonists in extractive industries. Yet the great increase of the colonial population (through natural increase and immigration) would provide Britain with an expanding market and thus would foster the increase of the British population. Were the colonists denied the right to migrate westward and into Canada, the American population would become dense, manufactures would flourish, and Britain would lose her colonial markets.[48]

(11) Whereas nineteenth century American writers often placed theological interpretations on population growth and its effects, the works of the writers mentioned are singularly free of such interpretations.[49]

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[48] Thomas R. Dew, a Virginian economist, in an attack on protectionism argued that, since population tended to press upon subsistence, the growth of the American population would depress wages and make the spread of manufacturing inevitable whether or not protective tariffs were utilized to stimulate manufacturing in the United States (*Lectures on the Restrictive System*, Richmond, 1829).

[49] While these early American writers developed no biological interpretation of population trends, both Adams (*op. cit.*, vol. 10, pp. 58-66) and Jefferson (*op. cit.*, vol. 13, pp. 394-396) denied that men were biologically equal. Jefferson suggested that perhaps that government was best which most favored the selection of the "natural aristoi." See C. O. Paullin, *Journal of Heredity*, vol. 25, 1934, pp. 217-218.

TRACTOR VERSUS HORSE AS A SOURCE OF FARM POWER

Their Competition in Various Countries of the World

A comparison of the effectiveness of tractors and horses as the source of farm power must take into consideration the variation in the proportion of fixed charges to total cost, particularly the number of hours that horse power is used during the year. Where horses are used little during the year, tractor power frequently is cheaper than horse power, even if prices of feed and horses are relatively lower than the prices of fuel and tractors. The reverse situation often occurs where the annual work per horse is large. Thus, the annual work per horse becomes a more important factor than the relation of the cost of feed and horses to the cost of fuel and tractors. The saving on labor which can be made by operating tractors instead of horses is significant in inducing farmers to shift to tractor power. The variations in the amount of this saving, however, frequently are not as wide as are the variations in the annual work per horse. Hence the saving on labor is of less importance than the variations in the annual amount of work per horse in determining the differences in the profitability of tractors. The same pertains to the other factors affecting the variations in the utilization of tractors (size of farms, seasonal distribution of power and labor requirements, skill of tractor operators, topography, soil, etc.).

Nearly 1,000,000 tractors are used on farms in the United States and only some 15,000 tractors in Germany. This striking divergence is hardly duplicated in any other respect, both countries showing much similarity as to the rate of industrial development. Significant variations in tractor utilization are also met with between other countries and between different regions of the same country. Some of the states of this country, and even parts of the same state, have many times more tractors per farm and per crop acre than have others. The most striking example probably is the enormous variation in tractor utilization between rice and cotton regions of Louisiana. What are the reasons for these immense variations?

Some investigators have considered the *cost of feed,* which accounts for nearly three-fourths of the cost of horse keeping, to be the decisive factor in the competition of tractors and horses. It was, therefore, expected that tractors would be utilized much more in countries importing feeds than in surplus countries. However, more than three-quarters, probably even as much as nine-tenths, of the tractors used in the world are operated in surplus countries. Illinois, Iowa, Ohio—each of these states in 1929 had more than four times as many tractors as the whole of Germany had in that year.[1] Both in 1928 and 1929, the number of tractors sold in the prairie provinces of Canada exceeded the total number in use for agricultural purposes in Germany. Thus, the expected development did not materialize.

The most common assumption is that the *saving on labor* used for the operating of the power and the care required is the decisive factor determining the choice between animal and mechanical power. As the saving primarily depends on the wage level, the inference has been drawn that the higher the wage level the larger should be the utilization of tractors. The

[1] To illustrate the situation in the importing countries, the author is using data on Germany as this country is best known to him. The situation in Germany, however, is fairly representative for most countries of central and northwestern Europe. Only Great Britain probably shows some important divergencies.

explanation may seem adequate as far as a comparison between tractor utilization in this country or Canada and in Europe is concerned, although, in fact, even for these countries the situation is much more complicated than is usually realized. But Hungary and some other Danubian countries have a still lower wage level than Germany; notwithstanding that fact, relatively more tractors are used there than in Germany. The cost of labor alone does not provide a sufficient explanation of variations in the distribution of tractors in the world.

Further reasons may be offered as an explanation for the variations in tractor utilization, such as the cost of tractors, the cost of fuel and oil, the efficiency of labor in handling tractors, the suitability of soil and topography for the utilization of tractors, etc. Each of these, like the two factors mentioned earlier, provides a satisfactory explanation in some cases, but fails to do so in others.

The failure may to some extent be the result of undue stressing of only one or of a few single factors. All the enumerated and some other minor elements work simultaneously, their effects stimulating, offsetting, and overlapping each other. A consideration of all the factors, rather than of one of them, however important it may seem to be, throws some light on the problem whether tractor or horse power is more profitable under given circumstances. However, the question why the United States utilizes nearly seventy times as many tractors as Germany may still remain unanswered.

Even when all the items of cost are the same, the relation of the cost of tractor work to the cost of horse work may vary widely. Owing to the different nature of tractor and horse power, there is a great difference in the proportion of fixed and variable charges to total cost. The reduction in the cost of power which results from an increase in the number of hours the power is used during the year, is much larger in the case of horses than in the case of tractors; consequently, the competition of tractors is much weaker where annual work per horse is large and it is much stronger where annual work per horse is small. Since the number of hours that horses are used during the year in agriculture varies greatly from country to country, from section to section, and to some extent even from farm to farm, *the different proportion of fixed charges to the total cost of tractor and horse power* is very significant. It not only greatly affects the competition of tractors and horses, but often is the decisive factor in this competition, outweighing other important factors.

Items of Cost of Horse Work

The largest item of the cost of horses is feed.[2] Inclusive of bedding, it accounts for 57 per cent of the expense. In the second rank in order of

[2] The computations of the cost of horse and tractor work used in this article are based on estimates made for the conditions of the Corn Belt in the second half of 1933.

importance is the expense for chores, *i.e.*, for labor spent in care of horses. In the Corn Belt it accounts for 14.2 per cent of total cost. All other expenses, exclusive of interest and depreciation, make up only 10.6 per cent of total cost. Depreciation is determined by the price of horses, interest charge by the same item and by the rate of interest. The price of horses in its turn is determined primarily by the cost of feed and labor. It will probably not be too sweeping to assume that the price of horses and hence the expense for interest and depreciation can be resolved into the same costs and in the same proportions as the cost of horse work other than interest and depreciation.[3] Accordingly, 69.7 per cent of the total cost of keeping a horse operated 800 hours per year in the Corn Belt is accounted for by the cost of feed, and 17.4 by the cost of labor.

Considering extreme cases, the variations encountered in cost of feed are large. Argentina and Australia are probably the one extreme or very nearly so. Hay and grain there are cheap. The mild climate permits pasturing horses the whole year round, whenever they are not used at work. The cost of pasture is low, since it is determined by the small return on exported beef (Argentina) or wool and lambs (Australia). Switzerland probably represents the other extreme. According to the data of the investigated farms[4] 807 Swiss francs, on the average, are spent there for feed per horse per year. If this figure is reduced so as to make it comparable with the above data for the Corn Belt, it probably will be equal to about 600-650 Swiss francs or to about $200-$210, at the present rate of exchange. The comparable figure for Argentina is probably not higher than one-sixth of the figure for Switzerland. Great variations in the cost of feed may be found even within the same country. The estimate of the cost of keeping a horse in the Corn Belt in the second half of 1933 used here gives a total cost of feed and bedding of $42.25. In the Cotton Belt or in the northeastern states the cost may have been twice as much.

Although the variation in the cost of feed cannot entirely explain the difference in tractor utilization between surplus and deficit countries, it is, nevertheless, significant, particularly in cases when other factors do not show extreme divergencies. For instance, the difference in cost of feed between this country (or Canada) and Argentina is one of the main reasons for the difference in the utilization of tractors. The cost of feed is also an important factor in explaining the large utilization of tractors in the north-

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Out of labor costs, the cost of power includes only the cost of caring for the horses. The cost of the driver is considered separately. Lack of space prevents presenting the details on prices and methods used.

[3] The proportion of the cost of feed in the cost of producing a horse is probably larger and the proportion of cost of labor smaller than it is in the cost of horse work. These variations, however, do not matter much in this case.

[4] "Die Kosten der Tractorhaltung in Schweizerischen Gutsbetrieben," Bericht 10 der Stiftung *Trieur*, Brugg, Switzerland, 1933.

eastern states and in the rice area of Louisiana. With feed prices as they are in the Corn Belt, New York State would hold, instead of sixth, perhaps fifteenth place in the number of tractors on farms. The basic reason for the rather large interest of the Swiss farmers with their tiny farms in tractors, engine hay cutters, etc., should also be sought primarily in the high cost of feed.

The cost of labor for the care of horses is affected by the amount of care given and by the wage level. Where labor is expensive and horses are cheap, less care is given. In Germany, one hour usually is considered necessary for preparing a team of two horses for work in the morning. In Australia, two hours are believed sufficient for a team of ten horses. The amount of care depends also on the climate. As practically no care is necessary for horses on pasture, the cost of labor is lower where the climate is mild.

In the surplus regions of the United States and Canada the high cost of labor to some extent offsets the low cost of feed. The variations between the United States or Canada and the importing countries become less if the cost of labor spent in care for horses is also considered. In Australia, however, horses are pastured during most of the time in which they are not at work. Argentina adds to this advantage the moderate level of wages and is, therefore, probably the country with the lowest annual cost of horse power in the world.

Items of Cost of Tractor Work

Tractors of the same size. The depreciation of a tractor is primarily determined by the price of the tractor itself, and to some extent also by the care in handling it.[5] The interest charge depends on the price of the tractor and the interest rate. The cost of repairs is determined by the prices of spare parts, the care in handling, and the wage level. The price of spare parts is usually in line with the price of the tractor. Thus, apart from the cost of fuel and lubricants, which in the case underlying these computations accounts for 42 per cent of all costs, the price of the tractor stands out as the most significant factor determining the cost of tractor work.

The United States and Russia are the largest producers of tractors. Both countries are also in possession of mineral oil. In the United States, with its enormous utilization of automobiles, trucks, etc., expert service is available. Thus, total costs of tractor power are probably lowest in this country. The other extreme is probably met with in Australia, where the prices of both tractors and fuel are increased by the long distance from the countries of exportation. Also, the cost is increased by rather high duties on tractors, gasoline and kerosene. Available data do not permit a comparison of the cost of tractor power for both the United States and Australia. Making

[5] The following computation is for a general purpose tractor with 10-11 adjusted drawbar H.P. used 500 hours per year. See also footnote 2.

a rough estimate, the cost of operating a tractor on kerosene in Australia is higher than it is in this country by at least 25 per cent. The usual variations in the cost of tractor power between various countries and sections of the same countries, however, are probably within a range of 20 per cent. These variations are less than the variations in the cost of feed for horses. The variations in the cost of tractor work, therefore, are likely to be disregarded, yet, particularly in cases where conditions in other respects are similar, they are of importance. Apart from the higher cost of tractor work in Australia as compared with the Pacific states, probably only the higher cost of keeping horses is responsible for the fact that tractors are more widely used in the latter areas, although the topography is more favorable for their utilization in Australia.

Tractors of different size. The cost of keeping horses is practically proportional to the number of horses kept on the farm. Up to a certain limit, the power of a team also is proportional to the number of horses. Beyond this limit the power per horse begins to decrease somewhat. Thus, the cost of horse work per unit cannot be diminished by enlarging the size of the team.

Tractor work, however, becomes cheaper per unit of power as the size of the tractor increases. Although fuel consumption is nearly proportional to the size of the tractor, the price of the tractor, the cost of repairs, and the consumption of lubricants are relatively lower, while the life of the tractor and the total work are greater with the larger tractors.

Assuming the same utilization per year, a wheel-type tractor with some 24 adjusted drawbar H.P. costs about 25 per cent less per horse power to operate than a similar tractor with 12 drawbar H.P. does. (Apart from this, the larger tractor is driven by one driver instead of the two for two small tractors.)

Farms having a large proportion of their crop area in row crops are restricted in the utilization of tractors as the main source of power (main source as distinguished from the power for peak work) to general purpose tractors, the largest of which have about 18 adjusted drawbar H.P. The most widely used general purpose tractors are those with 10-11 adjusted drawbar H.P. Only farms producing exclusively small grains and such specialties as cane, etc., can make use of large tractors as the main source of power.[6] Here is one of the main reasons for the fact that, in spite of very cheap feed, tractors are widely used in the wheat areas of this country and in the prairie provinces of Canada. But for the possibility of using large tractors, Argentina and Australia probably would not have any tractors at all.

[6] Although rice farms do not produce any row crops, they usually are prevented from extended utilization of large tractors by the size of the fields.

The Proportion of Fixed and Variable Charges in the Cost of Power and the Annual Utilization of Power per Horse or Tractor

The preceding analysis is primarily confined to single items in the cost of tractor and horse work; and the discussion is limited by assuming the same annual utilization. But cost depends also on the extent to which the power is used during the year. The more the power is utilized, the smaller is the cost of power per time unit. The actual reduction of cost with the increase in the annual utilization depends on the character of the cost of either source of power; namely, on its being composed primarily of fixed or variable items.

In the groupings of the items of cost of power usually found in power studies, interest and depreciation (as well as shelter so far as it is considered) are placed under fixed charges, while all other items of cost are classed as variable.[7] This grouping is supposed to be covered by the definitions: costs "resulting from investment," for fixed items; and costs "entirely proportional to the work done," for variable charges.[8] However, depreciation of tractors used much is larger than that of tractors used little, and is, therefore, an item of cost not covered by the definition "resulting from investment." On the other hand, an investment in a horse requires the maintenance feed and the necessary care for it, without regard to whether the horse is used for work. Hence the costs of feed and care (and of some other items) which in the usual grouping are included under variable costs, are not costs "entirely proportionate to the work done."

For disclosing the character of the cost of farm power and its effect on the competition of tractors and horses, costs will be divided into fixed and variable items according to whether they are dependent or independent of the work done. Hence interest, depreciation, stabling and miscellaneous costs of horse keeping are treated as fixed costs; all other items are subdivided into fixed and variable costs. For tractor work, interest and shelter are assumed to be fixed; fuel, oil, grease and labor for care are entirely variable. Depreciation and repairs are partly fixed, partly variable. Lack of space prevents particulars as to the method of distributing these items between fixed and variable costs.

In Figure I a typical analysis of the composition of cost of power is compared with the writer's. It shows at a glance how great are the changes brought about by more precise definition of the terms "fixed" and "variable" charges. If the cost of operating power is distributed in the usual manner, the cost of horse work consists almost entirely of variable charges, while in cost of tractor work the variable cost represents somewhat less than half

[7] See, for instance, the study of the Department of Agriculture, *Utilization and Cost of Power on Corn Belt Farms,* Department Bulletin 395.

[8] *Research in Farm Management,* prepared under the direction of the Advisory Committee on Social and Economic Research in Agriculture, Project 20 B, p. 213.

of the total. According to my computations, the cost of operating horses is mainly fixed, while in the cost of tractor work the variable part is smaller than the fixed part only for tractors that are used very little; at about 250 hours of annual use, the variable cost of tractor work becomes larger than the fixed charge. The cost of operating tractors which are used extensively consists predominantly of variable items.

This striking difference in the nature of the cost of power is primarily a consequence of the obvious fact that the horse is a living creature which

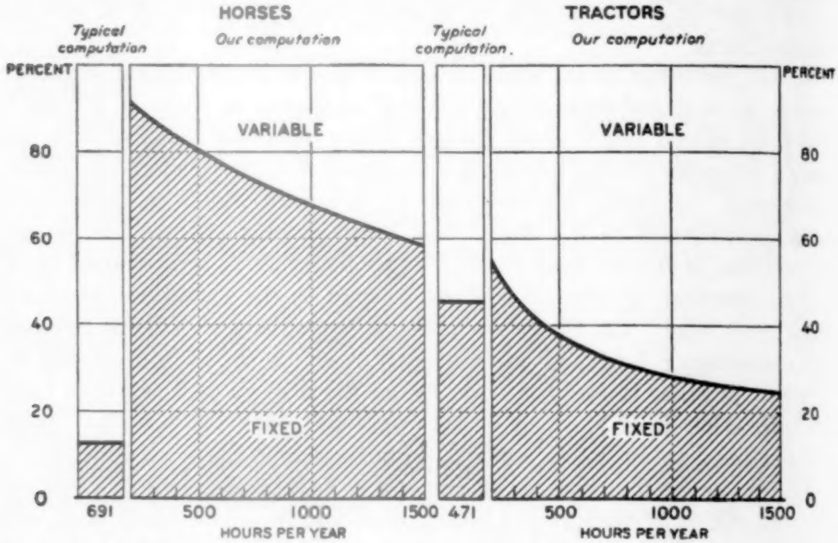

FIGURE I.—FIXED AND VARIABLE COST OF HORSE AND TRACTOR WORK IN PER CENT OF TOTAL COST; COMPARISON OF TYPICAL COMPUTATIONS WITH WRITER'S COMPUTATIONS
(Figure used by courtesy of the U. S. Dept. of Agric.)

eats even when it does not work, while the tractor must be "fed" with fuel and oil only during operation. An unused horse becomes old and unfit for work practically in the same time as a horse not too excessively used for work, while the "life" of a tractor is considerably shortened by its utilization.

It is of great interest to note that the changes in proportion of fixed and variable costs for the mechanization of power in agriculture are opposite to those usually met with in industry. Although mechanization of industry is regularly followed by an increase of the proportion of the fixed to the total cost, in agriculture the most important part of mechanization—that of mechanization of power—increases the proportion of the variable to the total cost.

Figure II shows strikingly how the relation of the cost of operating

tractors to the cost of operating horses varies with the change in the length of the annual use. If the annual use of the power is small, the cost of horse work is prohibitive. The work may be done by the tractor at less than half of the cost of horse work, if the power is to be used but 200 hours per

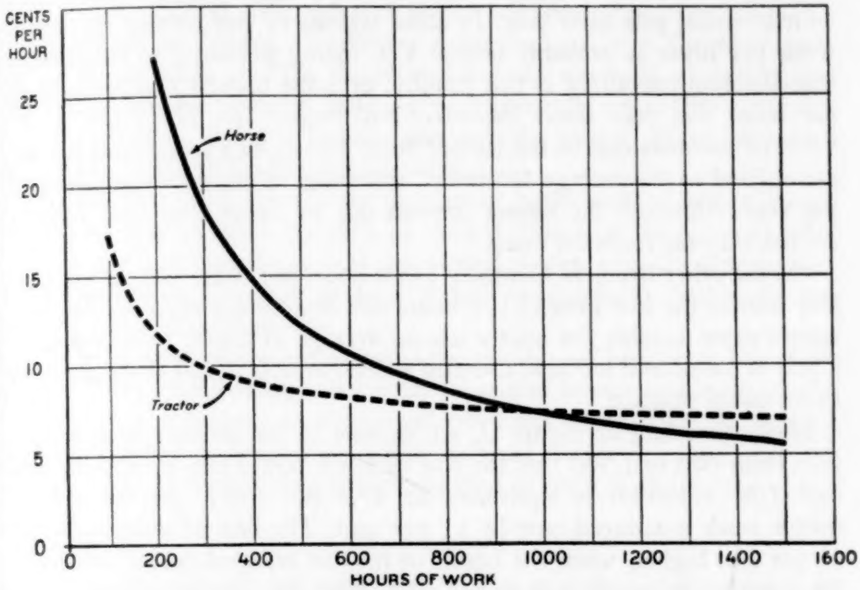

FIGURE II.—COST OF A HORSE HOUR AND OF A HORSE HOUR EQUIVALENT OF THE WORK OF A TRACTOR WITH 10-11 ADJUSTED DRAWBAR H.P. (EXCLUSIVE OF COST OF DRIVER) UNDER VARYING AMOUNT OF ANNUAL USE

(Prices for the Second Half of 1933 in the Corn Belt)[1]

(Figure used by courtesy of the U. S. Dept. of Agric.)

[1] The power of a general purpose tractor with 10-11 adjusted drawbar H.P. was assumed to be equivalent to the power of seven horses.

year. The difference in cost in favor of the tractor is in this case so large that tractors used only 200 hours per year compete successfully with horses used more than twice that time. If the power is used only during a small number of hours per year, horses are practically out of the question.

Tractors working 400 hours per year still are cheaper to operate than the equivalent number of horses used 700 hours per year. The curve of the cost of horse work, however, declines much faster than that of the tractor work; consequently, the tractor rapidly loses its advantages. At about 950 hours both curves meet. When the annual work per power unit is large, horses are the cheaper source of power.

If the saving in labor is considered, the curves of the cost of tractor and horse work will cross at a much higher number of hours. Given a

larger tractor or another relation of prices, the curves may not cross at all. The character of the curves, however, remains the same in all cases. Even when the curves do not meet, the advantage of the tractor still uninterruptedly decreases as the annual use of power is increasing.

The conditions are similar in regions where winter wheat is grown after winter wheat, year after year. In other regions of this country the annual work per horse is probably larger. Yet, owing primarily to the extreme specialization prevailing in this country, even the highest number of hours per horse and year rarely exceeds 1,000 hours.[9] W. Hurst and L. M. Church[10] estimate that in the United States horses, two years old and older, are utilized on the average 495 hours, and mules of the same age 633 hours per year. Although the figures impress one as rather low, they probably are not very far from the mark.

On the other hand, in Germany 1,000 hours per horse and year is probably near to the low limit, 1,500 hours and more being the rule. For large estates more suitable for tractor use an average of 2,000 hours per horse a year is considered too low. German writers assume 2,500 hours per horse as the usual practice.

Now, according to Figure II, an increase in the number of hours per year from 600 to 1,500 cuts the cost of horse power per hour nearly into half (the reduction is equivalent to 47.2 per cent), yet the cost of tractor work is reduced only by 11 per cent. The cost of a horse hour is 31 per cent higher, when the horses or tractors are used during 600 hours per year than the equivalent tractor work. With the number of hours rising to 1,500, the tractor power becomes more expensive by not less than 46 per cent. On a per-hour basis, horse power, at least on large estates of eastern Germany, may be cheaper as compared not only with the average cost for the United States, but even with the cost on farms in the Corn Belt.[11] Although a large number of work hours per year reduces the cost of tractor work, too, the reduction of the cost of tractor work is much smaller than

[9] According to O. T. Hall ("Cost of Producing Rice in Arkansas in 1927," Arkansas Agr. Exp. Sta. Bull. 266, p. 16) horses were used 448.81 hours per head and year. In the Louisiana rice section (R. T. Saville and G. Reuss, "Some Economic Problems in the Rice Farming Areas," Louisiana Agr. Exp. Sta. Bull. 217) on farms without tractors 416 hours were used on rice per year. As the proportion of other crops was very small (from 6 to 22 per cent) this figure was near the total.

[10] "Power and Machinery in Agriculture," Dept. of Agric. misc. pub. 157, p. 21.

[11] According to computations of the present writer (*Der Schlepper in der Landwirtschaft*, Berlin, 1932) the cost of a horse hour in eastern Germany in 1929, on the average, was less than $.10 for horses operated 1,400 or more hours per year (it was 7.7 cents for horses used during 2,000 hours and 6.7 cents for horses used during 2,500 hours per year). The average cost of a horse hour in the Corn Belt at that time probably amounted to $.105-.11. According to various studies the cost was $.102 in Tippecanoe County, central Indiana, in 1925-1927; $.107 in Iowa County, Iowa, in the same years; $.11 in Clinton County, Illinois, in 1926 and 1927; and $.12 in 1928; $.132 in Champaign and Piat Counties, Illinois, in 1926.

that of horse work. The competitive power of horses in Germany would, therefore, be considerably larger than in this country, even if such important items in the cost of tractor work as prices of tractors and fuel were not higher than they are here.

The small number of work hours per horse in the wheat areas of this country is also typical, although with some variations, of sections with similar conditions in Canada, Argentina, Australia, and even for most parts of Russia, Rumania, etc. On the other hand, all countries of central and western Europe are probably utilizing their power in nearly the same way as Germany does. In Great Britain, however, the annual utilization is possibly appreciably smaller than in Germany.

The fact that a reduction in the number of hours that the power is used during the year increases the cost of animal power per unit considerably more than it increases the cost of mechanical power, explains why smaller farms (measured in terms of total power requirement) frequently can utilize tractors advantageously.

The great effect of the variations in the number of hours that horses are used annually on the relation between the cost of tractor and horse power, and the great variations in the annual work per horse, make it probable that the number of hours that horses are used on farms is the most important single factor affecting the competition of tractors and horses.

Cost of Driver[12]

There are practically no exceptions to the rule that labor is saved by driving a tractor instead of working with horses.[13] Up to the amount of this saving, tractor power can be more expensive than horse power and still be the cheaper source of power. Figure III shows that the saving on labor results in a rather significant increase in the competitive power of the tractor, even with wages at only $.15 per hour and with a rather large number of horses per team. The limit for the profitable utilization of the small tractor with 10-11 drawbar H.P., which at the assumed prices extended to but 950 hours (see Figure II), in Figure III is raised to over 1,500 hours; *i.e.,* far beyond the limit of the annual utilization of horses in this country.

[12] In discussing the cost of horse and tractor power, we followed the usual procedure of including in the cost of power the cost of the care given to the horses and tractors, respectively, leaving the cost of the driver for separate consideration. There are certain technical reasons which make such a presentation desirable. Yet, it would perhaps be worth while to disregard them and to consider the cost of labor spent in the care of the horse and tractor together with the cost of the driver. The effect of the cost of labor on the competition of tractors and horses revealed by the following discussion would appear larger if the total cost of labor were considered.

[13] The small "Farmall" only recently put on the market and similar tractors produced in Europe are not considered in this study owing to scarcity of data. Yet, as a rule, these tractors, too, save driver's time.

The saving in cost of labor which can be made by utilizing tractors shows considerable variations depending on (1) the wage level, (2) the size of the replaced team, (3) the size of the tractor, and (4) the feasibility of employing gainfully the labor set free by using tractors.

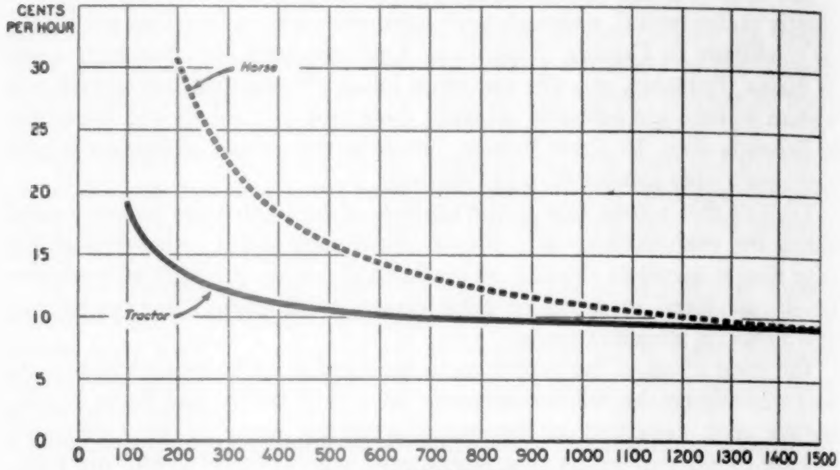

FIGURE III.—COST OF A HORSE HOUR AND OF A HORSE HOUR EQUIVALENT OF THE WORK OF A TRACTOR WITH 10-11 ADJUSTED DRAWBAR H.P. (INCLUSIVE OF THE COST OF DRIVER) UNDER VARYING AMOUNT OF ANNUAL USE

(Prices for the Second Half of 1933 in the Corn Belt)[1]

(Figure used by courtesy of the U. S. Dept. of Agric.)

[1] The power of a general purpose tractor with 10-11 adjusted drawbar H.P. was assumed to be equivalent to the power of seven horses. Driver's wages $.15 per hour. Four horses are driven by one man.

(1). At wages of $.15 per hour, used in Figure III, the saving on drivers' pay per tractor hour for the assumed size of tractors and teams amounts to $.1125; *i.e.,* to 18.8 per cent of the cost of the work of the tractor used 500 hours annually.[14] In the Corn Belt, $.15 per hour, of course, is a typical wage for the severest depression. In the years of prosperity, the cost of an hour's work of a general purpose tractor doing the work of 7 horses, on the average, was equal to about $.70, while a man's hour was worth about $.30. Assuming again 4 horses per team, the saving on labor per tractor hour at that time amounted to $.225 or to 32 per cent of the cost of tractor power as against 18.8 per cent for the second half of 1933.

(2) and (3). It is obvious that the saving from the utilization of tractors

[14] The effect of the saving on labor on the competition of tractors and horses is most clearly shown by computing the saving in percentage of the cost of tractor power. By this procedure the effect of saving on labor becomes comparable with the effect of the other factors.

is reduced as the number of horses per team is increased. The increase in the size of tractors has the opposite effect. The number of horses per team depends on many factors. It is affected by the size of farms, the kind of work, the efficiency of the driver, etc. There also is a remarkable relation between the size of teams and the wage level, the size of the team tending upward with the increase in wages. The size of the tractor depends mainly on the assortment of crops, while the wage rate is of small significance in this case.

The saving of the drivers' time is most important where wages are high; while the number of horses per team is kept small by the size of the farms or by some other factor. The fruit farmers in the Newfane-Olcott area, studied by LaMont,[15] usually operate two-horse teams. At the time of the study, the cost of a horse hour was \$.18, the cost of a man hour about \$.40. Although the tractors employed on those farms did the work of only 4 horses (on an hour per hour basis), the saving on labor was as high as 53 per cent of the cost of tractor work.

A tractor performing the work of only 4 horses will not effect any saving on driver's wages on an average Corn Belt farm, since the average teams on those farms usually consist of a similar number of horses. The effect of the increased number of horses in the team is so great that the saving on labor in the Corn Belt would be smaller than on the New York fruit farms, even if the four-horse teams were replaced by tractors doing the work of 7 horses (instead of 4), and if wages in the Corn Belt were as high as they were on the fruit farms.

Thus, we come again across a rather surprising fact: the saving on labor made possible by operating large crawlers in the Pacific Northwest is considerably less important as a factor determining the competition of tractor and horses than the saving on labor made possible by operating tractors doing the work of but 4 horses on the New York fruit farms.

(4). Many farmers buy tractors in order to increase their leisure and in prosperous times are even prepared to pay for this advantage. However, the opportunity to save labor by operating tractors has a great economic effect only if the saved labor may be converted into a pecuniary saving, either by dispensing with the labor set free or by employing it gainfully on the same farm or in some other work. On large farms (large on the basis of labor requirements), the labor released by the utilization of tractors usually can be disposed of. Farms with small labor requirements, however, are not always able to find a gainful employment for his labor.

High cost of tractor work on small farms usually is stressed as another important obstacle to the profitable utilization of tractors. This problem bears primarily on the annual hours of utilization per horse, but, since it has

[15] "Fruit Farm Management," Cornell Agricultural Experiment Station Bulletin 219, 1932.

also some bearing on the cost of labor, it is more conveniently treated here. The contention that tractor power costs the small farmer more than it does the large one is true. Yet horse power costs him more, too, particularly in regions where large farmers are able to extend the number of work hours per horse and year beyond the limit attainable by small farmers, or where large farmers operate considerably larger teams than those used on small farms. Greater variations in the annual work per horse are found in regions where feed is expensive, since the high cost of horse keeping provides a strong stimulus for extending the annual utilization of horses as far as possible, and it is easier for larger farms to extend this than for smaller ones. In the Cotton Belt, for instance, the variations in the annual work per horse between large and small farms are greater than they are in the Corn Belt. Although smallness of farms is a considerable obstacle to tractor utilization, if feed and wages are at a high level, it is not an insurmountable one. The wide use of tractors on small farms of the Northeastern States (very high wages, fairly expensive feed) and in Switzerland (very expensive feed, moderately high wages) is a good example of this reasoning. Smallness of farms seems to exclude tractor utilization definitely only where it is combined with low wages and cheap feed.

Let us now consider the variations in the factors affecting the saving on labor in various parts of the world. As regards the wage level of agricultural workers, Australia, the United States, and Canada have the lead. In time of prosperity, wages in the eastern states of this country were about three times as high as in Switzerland, which was probably the country with the highest wages on the European continent.

The United States has the largest variations in the number of horses per team. On wheat farms in the Pacific Northwest, 6 to 10 horses compose the more usual team. In the hard winter wheat and hard spring wheat areas the most frequent number might be 5 to 6, while in the Corn Belt it probably is 4 horses. The figure goes down to perhaps 2 to 4 in the eastern states, while in the South one mule is still the most common power unit. In western Europe a team usually consists of 2 horses, although one-horse teams are also found. The largest teams in the world are probably used on wheat farms of Australia, where the average is about 10 horses. The rather inconspicuous difference in the size of teams reduces the variations in savings on labor between countries and regions with high and low wages far beyond the amount usually realized. Sometimes the situation is reversed.

Let us assume that in the period of prosperity two-horse teams in Germany and four-horse teams in the Corn Belt were replaced by the tractor with 10-11 adjusted drawbar H.P. performing the work of 7 horses (on an hour per hour basis). With wages at \$.30 per hour in the Corn Belt and at \$.10 in Germany, the saving on labor would have been \$.225 in this country and \$.25 in Germany. The result becomes still more striking, if

instead of the German farmer we were to consider a cropper in the Cotton Belt who works with one mule and who before the depression earned about one and a half times the wage of a German agricultural worker. The utilization of the tractor with 10-11 drawbar H.P. would then have resulted in a saving of \$.90 per hour in the South as against but \$.225 in the Corn Belt and \$.25 in Germany.

Smallness of farms combined with low wage rates must be regarded as the main reason why only few tractors are found in Asia. The same combination explains the limited use of tractors in many countries of Europe and some countries of Africa and America. Smallness of farms is also a factor affecting tractor utilization on cotton farms in the South of this country, where wages are not very low as compared with those paid in many other countries.

The Indirect Effects of the Wage Level

The wide variations in the amount of the annual utilization of a horse (or tractor) are the result of both natural (temperature, rainfall, length of the growing season, severity of the winter, etc.) and economic (level of wages, price relation of various products, etc.) conditions.

In semi-arid regions where nothing but small grains can be grown, natural conditions are the determining factor for the number of hours that horses (and tractors) can be used during the year. Where nature does not impose such rigid restrictions on the crop production, the annual utilization per horse (or tractor) is primarily determined by economic conditions. The higher the wage level, the more all lines of production tend toward specialization, and specialization in crop production usually means small utilization per horse (and tractor). The difference in the length of time the power is used during the year between regions with high and low wages frequently assumes great proportions. For high wages preclude the large-scale production of roots and tubers for utilization as feed, and the combination of roots and tubers with grain is favorable to a large number of work hours per horse.

Farms the world over tend toward a size which can be conveniently worked by one family. The proportion of the amount of power to the amount of labor used on farms generally is small where the wage level is low. Small also is the amount of power spent per farm, acreage, production, etc. Hence the impediment to tractor utilization arising from the smallness of the farm business is to a large extent simply the effect of the wage level.

Thus, the wage level influences the competition of tractors and horses in two ways: directly, by affecting the cost of labor spent in attending to the power; and, indirectly, by affecting the annual utilization per horse and the size of the farm business. If the direct and the indirect effects of the

wage level were considered, it undoubtedly would become the most important single factor determining the competition of tractors and horses. Thus, the contention of those authors who maintain this point of view would be affirmed, though primarily in a roundabout way that they possibly do not think of. However, a sharp distinction between the direct and indirect effects of the wage level is indispensable for a clear understanding of the reasons determining the competitive power of tractors and horses. This justifies our former statement that the annual work per horse, as it is determined both by natural and economic conditions, is the most important single factor in the competition of tractors and horses.[16]

Tractor Utilization by Countries

The United States as a whole: Belongs to the countries with the largest tractor utilization.
Reasons in favor of tractors: Cheap tractors; cheap fuel and lubricants; efficient care; small annual work per horse; high wages.
Districts in the United States.
(1) Hard winter and hard spring wheat sections: Tractors widely used.
In favor: The same as for the whole country, with annual work per horse still smaller than on the average for the country; the crops produced permit the utilization of large tractors; large farms; utilization of the combine.[17]
Against: Feed and horses cheap; utilization of big teams feasible.
(2) Wheat areas in the Pacific Northwest: Tractors widely used.
In favor: The same as the other wheat sections, with farms particularly large; the largest tractors are being used; exclusive utilization of the combine for harvesting.
Against: Feed and horses cheap; rolling topography; biggest teams in the country.
(3) Corn Belt: Great use of tractors.
In favor: The same as for the country as a whole.
Against: Cheap horses and feed; large tractors cannot be used as the main source of power owing to the assortment of crops produced; fairly large teams used.
(4) Rice area in Louisiana: Extensive utilization of tractors.
In favor: Cheap tractors; cheap fuel and lubricants; particularly small annual work per horse; fairly high prices of feed and mules.
Against: Large tractors not adapted to size of fields; wages not as high as in the previous sections.
(5) Northeastern States: Great use of tractors.
In favor: The same as for the whole country with wages particularly high; feed rather expensive.
Against: Only small tractors can be used owing to the assortment of crops; small farms.
(6) Cotton Belt: Tractors used little.
In favor: Rather high cost of feed and mules.
Against: Annual work per horse comparatively large; moderate[18] wages enhanced in their effect by the seasonal distribution of labor requirements (peak at harvest time,

[16] Lack of space prevents discussing other factors affecting competition of horses and tractors, such as topography, quality of soil, seasonal distribution of power requirement, etc. The most outstanding instance of the effect of the seasonal distribution of labor requirement on the profitableness of tractor utilization is the fact that in production of cotton a high peak of labor requirement coincides with the time when little power work is done, while there is an excess of labor at the time when the power is used intensively; hence, the great saving of labor attainable by utilizing tractors remains without great practical effect.

[17] The tractor is a particularly appropriate power for drawing the combine.

[18] The word "low" must be reserved for some other countries.

when little power is required); poor care for tractors; poverty; general backwardness.

Prairie Provinces of Canada: Heavy use of tractors.

In favor: High wages; severe winter; small annual work per horse; assortment of crops grown permits the utilization of large tractors; large farms.

Against: Cheap horses and feed; large teams used.

Wheat sections of Argentina: Tractors used much less than in the United States and Canada but considerably more than in western Europe.

In favor: Small annual work per horse; large tractors can be used in many regions; many combines; large farms.

Against: Moderate wages; particularly low cost of horses and feed; little care for horses necessary; rather high cost of tractors and fuel.

Australia: Many tractors are used, but, with the possible exception of tractors with Diesels, have become unprofitable during the depression.[19]

In favor: Very high wage level; small annual work per horse, although probably appreciably larger than in the wheat regions of Canada and the United States; large tractors used; large farms.

Against: Expensive tractors and fuel; very cheap horses and feed; small amount of care for horses necessary; biggest teams used.

Russia's grain-surplus areas: Many tractors used.

In favor: Rigid limitations imposed on the annual work per horse by climate; tractors and fuel cheap; large farms, assortment of crops in important sections permits utilization of large tractors.

Against: Extremely low wage level; wages of tractor driver considerably higher than those of horse driver; very poor handling of tractors.

The particular conditions of the "socialization" of agriculture are driving mechanization beyond the limit warranted by natural and economic conditions.

Hungary: Fairly large use of tractors (or steam engines).

In favor: Annual work per horse larger than in Russia, but still small; many large farms.

Against: Low wages; horses not expensive; feed mostly on an export basis.

Great Britain: Tractor utilization rather small, but considerably larger than in Germany and similar countries.

In favor: Highest wages in Europe; owing to specialization considerably smaller amount of work per horse and year than in other countries of northwestern Europe.

Against: As compared with exporting countries annual work per horse large; feed rather cheap; seasonal distribution of power requirement (rather large production of roots) favors horses.

Germany: Tractor utilization almost negligible.

In favor: High cost of horses and feed.

Against: Low wages, although somewhat higher than in the Danubian countries; particularly large annual work per horse; many very small farms; cost of tractors and fuel higher than in Great Britain.

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[19] The situation in Argentina must be similar. In other countries considered in the text the change in the competitive power of the tractor is probably not so strong.

COMMUNICATION

Fallacies of "Social Credit"

The subject of "Social Credit," so called, has been brought to the attention of bankers and other citizens of the United States and Canada by recent events in the province of Alberta. In the provincial elections in September the social-credit party was successful and the leading proponent of "The New Economics," Mr. Aberhart, was chosen premier with a great majority behind him.

The undersigned, a certified public accountant, has published in the June and September, 1935, issues of *The Bankers Magazine* articles refuting the main tenets of Major C. H. Douglas of London, England, the originator of the movement which is now nearly world-wide.

On September 4, 1935, Major Douglas wrote to a Boston publication criticizing arguments set forth by the undersigned in these articles. These arguments disproved the assertion continuously made by the Major and his disciples that "Bankers create money by strokes of their pens from nothing" and that "banks acquire securities (stocks and bonds) for nothing," through credits created by the banks "out of thin air." Any intelligent person, acquainted with the actualities and necessities of banking practices here and in Great Britain should be convinced of the error of such statements on their face, but the constant insistence by the supporters of "The New Economics" upon the verity of these allegations has misled thousands of sincere but uninformed persons into believing that these assertions are true.

In Major Douglas's letter of September 4, which referred to the second assertion quoted above, he says: "In case of a central bank, the securities are bought with a draft upon itself, which merely amounts to increasing the cash available when it is deposited in a joint stock bank (or, in the United States, national bank). In the case of these latter types of institutions, the decrease in the bank cash, if any takes place, is represented in a short interval of time by a deposit in the cash of some other bank, the net result being that the banks as a whole have lost no cash but have acquired securities from the public, both their liabilities and assets being increased by an equal amount and their cash ratio being possibly lowered. So long as these liabilities have only to be met by cheque transactions, which is preponderatingly the case, the process can be carried on to any extent, but as has frequently been noted, is usually kept to a ratio of about ten dollars' credit money to one dollar cash. In the case of a central bank, even this provision is not involved."

An analysis of the Major's contention—the wording of which is ambiguous—should deal with these assertions seriatim, *viz.*: "The securities are bought with a draft upon itself, which merely amounts to increasing the cash available when it is deposited in a joint stock bank (or, in the United States, national bank)." That is to say, the bank delivers to the seller of the securities a draft upon itself for the price of the securities. The seller (X) receives the draft. He may then (1) present the draft at Bank (A) and call for legal tender money to be paid over the counter to him, or, (2) he may—as Major Douglas specifies—deposit the draft to his own credit account in Joint Stock Bank (B). If he chooses the first method, it is evident that the payment of the draft by the bank reduces the cash assets of the bank by the amount of the draft (cash over the counter). If he adopts the second method, he increases his credit account at his own bank.

By accepting the draft and posting its value to the credit of X, the joint stock bank acknowledges its liability to X for that amount. After depositing it

X could demand cash over the counter if he desired. He decides, the Major says, to leave the deposit in his Bank (B) and to draw his own checks against this credit whenever he desires to do so. Joint Stock Bank (B) having credited his account, now *charges the account of the central bank,* which must make its draft good by payment either in cash to the joint stock bank or, through "clearing," which increases the latter's credit at the central bank, *i.e.,* increases the liability of that bank to the joint stock bank. The offset to this increase of the central bank's liability is the asset account of the securities bought.

The central bank's accounts now show an increase of assets, the securities (say £10,000) and an increase of liabilities (the credit to the joint stock bank, £10,000). The books are in balance and the central bank owes the joint stock the £10,000. Meanwhile the joint stock bank sets up its increase of available cash (at the central bank) as an asset and also the credit to X's deposit account as a liability; and its books are also in balance. There has been no gain to either bank, nor to the seller, in these transactions. The latter, X, is minus his securities but plus his "deposit" at the joint stock—both £10,000. The joint stock is in debt to the seller but has acquired equal credit (available cash) at the central bank. The latter has the securities as an asset, but owes the joint stock for them.

If the joint stock should demand legal tender of the central it would receive it and with it might *pay* the checks of the seller X as they come in. The central as we see, is minus cash £10,000, but plus securities, £10,000. There has been absolutely no gain to either bank by these transactions (eliminating interest)—no "creation of money out of thin air," as Major Douglas asserts and as his disciples continually claim.

In his next phrase the Major is equally in error; he says: "The banks as a whole have lost no cash but have acquired securities from the public," *i.e., for nothing.* Could any statement be more inaccurate? Is the seller X surrendering his securities unless he is paid for them in cash, or equivalent? Of course he gets paid for them and thereby the bank's cash is decreased accordingly as follows: The first step of this payment is the draft. The second is the seller's deposit of the draft to his credit. The third is his demand (1) for cash over the counter which would square his account. The joint stock bank covers its loss of this cash by demanding through "clearing," that the central bank shall stand this loss by giving B corresponding credit. B's accounts are thereby balanced. Central has now paid for the securities in cash through the joint stock to the seller. There is no "acquiring of securities for nothing" whether bought in lots of £100, or of £10,000,000.

If the seller prefers (2) to let his deposit stand—not demand immediate cash for it—the results are exactly the same in the end. The joint stock *pays* for every check that X draws, pays it in cash (if demanded) or by loss of credit at the other banks as the cheques come through "clearing." Every check is *paid for* out of good assets and the paying bank is that much poorer in cash.

The Major's hocus-pocus in asserting that "the decrease in the bank cash, if any takes place, is represented in a short interval of time by a *deposit in the cash* of some other bank," is equally fantastic. Take the simplest case: The seller X cashes the draft (£10,000) and the central's cash assets are reduced that much. The seller has the cash and the bank has the securities, all square. Now the seller deposits this cash at some other bank and for it gets a deposit account. The cash comes back into the whole bank system but the central itself is £10,000 poorer. Bank (B) that gets this cash, increases its assets and also its liabilities (by its debt to X—his deposit account). The latter, X, draws checks to his busi-

ness creditors who deposit these checks in their own banks. These banks acknowledge their debts to these depositors by setting up "deposit accounts" and collecting from the bank against which the checks have been drawn. These new deposit accounts are checked out to still other deposit accounts in other banks and the process goes on endlessly.

When the securities mature and the original bank collects for them, the reverse process is set in motion. All the intervening time, however long, these liabilities (deposit-account balances) in total are offset exactly by the securities (assets) at the central bank. There are £10,000 assets (securities) offset by £10,000 balances of deposit-account liabilities in all of the banks which have handled these checks.

No money has been gained. None has been lost. No deposits (bank debts) have been permanently increased in total. No net gain has developed (other than interest); no "creation of money" has occurred; there has been no "acquiring of securities for nothing," as "Social Credit" erroneously avers. Major Douglas's claim is futile. He does not "think through." Every practical banker and every capable economist is merely amused by such naïve assertions, but the effect of them upon untrained, even though intelligent, minds is demoralizing. The hypotheses of "Social Credit" based upon such utterly erroneous premises are accepted by multitudes of sincere people who have suffered severely in the present depression and are ready for some new evangel which may lighten their burdens. "Social Credit," like Townsendism and Long's "share-our-wealth" propaganda, appeals by its promises of national dividends and national discounts on all retail purchases—to be provided by government ukases and issues of "social-credit certificates" based only upon "general credit" of the government through a national credit account.

The dangerous character of "Social Credit's" propaganda needs to be understood by intelligent people and such fallacious proposals combatted.

This exposition is equally true in the case of a loan allowed by a banker to a customer. Far from "creating money by a stroke of the banker's pen," as Major Douglas alleges (through setting up a deposit account to the credit of the customer on the bank's books against which the customer may draw checks) the banker, by the "deposit account," merely records a debt of the bank to the customer. The banker takes (buys) the customer's note but does not pay for it in cash at once. Instead, the banker enters this debt as a "deposit" and agrees to honor the checks of the customer as they appear. This the banker must do and he must *pay* for every one of these checks out of the bank's cash assets. If some of these checks are "cashed," the bank plainly pays out currency over the counter and thereby reduces its cash assets. This is evident. If the checks come in to Bank (A) from other banks "B," "C," etc., the bank *pays* for them *just the same,* through the reduction of the bank's credits with the other banks, or with the central bank.

When all the customer's checks have been honored by Bank A, the customer's note has then been fully *paid for* and the bank owns it free and clear.

The total reductions of the bank's cash assets are exactly equal to the value of the note. There has been no gain of assets for the bank; no "creation of money"; no magic strokes of the banker's pen. An earning asset (the note) has been bought by the bank and paid for out of its accumulated cash assets.

When the note matures and is paid by the customer, he repays the bank for the loss of its assets at the time the note was acquired. The customer pays by check upon his bank (B) whereby his deposit account there is reduced and thereby

the total of all deposit accounts in all banks is correspondingly diminished, exactly offsetting the original increase of such "deposits" when the note was acquired.

There is no essential difference between the purchasing of securities and the making of loans by promissory notes. Both securities and notes are records of *debts.* Notes are usually short-time debts; securities (stocks and bonds) are usually long-time debts. The bank's entries are identical in both cases. What occurs is actually a transfer of one kind of debt (the note or the security) for another kind of debt (the bank's liability to the seller) as disclosed by the deposit account. The latter form of debt is *spendable* through the use of checks. The former is not spendable. This is to say, the transaction consists of a swap of debts.

When the note is finally paid, or the security matures, there is a corresponding swap of assets—the bank surrenders the note and receives the borrower's check or cash. The only gain arises from the interest paid by the borrower for the great convenience of having a deposit account, which enables him to pay his own liabilities by checks instead of by currency, by post office money orders, or otherwise.

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General Works, Theory and Its History

Karl Marx and Friedrich Engels: Correspondence, 1846-1895. A Selection with Commentary and Notes. Translated and edited by DONA TORR. (New York: Internat. Pubs. 1935. Pp. xvii, 551. $3.75.)

This volume has a rather interesting history. Some time before the outbreak of the World War, Lenin developed a keen interest in the Marx and Engels letters and actively encouraged their collection and publication. The *Gesamtausgabe,* published by the Marx-Engels-Lenin Institute contains more than 1,500 of the letters exchanged between Marx and Engels. In addition to these, the Institute collection includes a large number of letters written by Marx and Engels to other correspondents. A volume of selections from the *Gesamtausgabe,* edited by V. Adoratsky, appeared last year. The work under review is an English translation of the Adoratsky selections, with the addition of 16 letters having special interest for students of the working-class movement in England and America. The book contains 234 letters, or extracts from letters, the majority of them having passed between Marx and Engels. The translation and editing is the work of Dona Torr.

These letters reveal in a striking way the remarkable friendship of Marx and Engels. While Marx was a critic whose shafts were frequently directed against friends as well as foes, and whose life was strewn with misunderstandings and broken friendships, his harmonious relationship with Engels persisted to the last. In both his written work and practical policies, he constantly relied on Engels' judgment. We may add that in these confidential letters that passed between the two men, it is enlightening to get Marx's frank opinions of his contemporaries. Especially interesting are his references to Proudhon, Lassalle, Kugelmann, Bruno Bauer, Dühring, and Bakunin.

Readers will also find in this correspondence an intimate and fascinating history of the communist and socialist movements for the period represented. The selections bring out many significant details of the radical organizations and their activities and reveal in a striking way the effective strategy of Marx in carefully planning and directing the major offensives while at the same time giving the impression of remaining somewhat in the background. It is also possible to follow the adventures of Marx in his literary efforts. Many of the letters deal with the progress of his numerous manuscripts, including, of course, the material for *Das Kapital.*

Most important, however, is the light thrown upon the basic ideas of Marxism. As might be expected, numerous passages are devoted to explaining the nature and importance of dialectics. There is also ample evidence that to the end of his life Marx thought in terms of socialism through

revolution. In several of the letters of both Marx and Engels, there are elaborate discussions of the economic interpretation of history; and all of the material clearly indicates that Marx was vastly more concerned with the process by which socialism might be achieved than with the details or technique of a socialistic system.

The book bears evidence of patient and sympathetic editing and is replete with copious footnotes. Unfortunately, some of the footnotes suffer somewhat from an excess of editorial zeal. This, however, does not detract greatly from the value of the book, and on the whole, the translation should prove a useful addition to the Marxian literature available in English.

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Corso di Economia Politica. By ACHILLE LORIA. (Turin: Un. Tip.-Ed. Torinese. 1934. Pp. xl, 843. L. 70.)

Dinamica Economica. By ACHILLE LORIA. (Turin: Un. Tip.-Ed. Torinese. 1935. Pp. 364. L. 25.)

These two works are supplementary statements of Professor Loria's views. The larger one is a new edition of a widely read text, originally redacted from the author's lectures at Turin. He is not content to describe modern economic organization and explain it in theoretical terms, but includes a theory of economic evolution and a critical discussion of economic ideas as well. As a text it has conspicuous merits. Facts selected from the experience of all European countries, America and elsewhere, are used to illustrate general problems and are coördinated with theories. There are few really dull places, an exceptional achievement for a textbook. The present edition differs from the previous one by the addition of some new data and references, but the body of the work is unchanged. The subtitle indicating extended treatment of the corporative system is misleading since the fascist economic policy is given only scant attention incidentally to other problems.

Only a few elements of Loria's doctrine can be stated here. His attempt to combine classical theory with a historism colored by his sympathy for the Marxian philosophy and criticism of capitalism, leads to an oversimplified schematization of historical data and an emphasis on institutional changes in the purely theoretical chapters, which make his positive doctrine rather unclear. He holds that the course of economic development is conditioned in the main by the necessity of devising better methods of organization as a population of increasing density is compelled to use poorer resources. Thus there is a transition from communism to slave labor, to serfdom, to free labor and eventually to free capitalistic enterprise, a process through which older countries have passed and which is reproduced more rapidly in new ones. This theory is supported by a formidable array of facts, but its validity

may well be questioned on the basis of some of the evidence adduced, *e.g.*, that communism was prevalent in the American colonies, and that subsequent developments here were closely analogous to the changes of the economic system of Europe in the last thousand years or so. There is of necessity a large element of the conjectural in theories of the economic institutions of prehistoric times. The history of capitalism is divided into two periods. In the formative or "systematic" capitalism, wages were kept at a subsistence minimum by deliberate action, long hours, child labor, mercantilistic regulation, monetary inflation and so on, whereas modern capitalism favors high wages and full employment. And so there is progress.

The theories of value and distribution presented are simpler even than those of American texts, although the presentation is far more scholarly. Criticism is directed for the most part against the theories of the early and middle nineteenth century, and Loria's own formulations are of approximately the Mill vintage. Some of the inconsistencies and obscurities are glaring. Thus, after rejecting abstinence in interest theory, he concludes that the return on capital must be high enough to induce the capitalist to accumulate wealth. Automatic (fully developed) capitalism sets wages at a point which yields the employers the greatest net return, evidently a higher real rate than the subsistence minimum, but there is no further elaboration of this locus.

Economic Dynamics is a theoretical study of the variation of economic phenomena under modern conditions, interpreting the term dynamics in the broadest sense, to include many matters treated by the Marshallians as conditions of equilibrium. Both quantitative and qualitative aspects of "spontaneous" and "systematic" changes are considered. Systematic changes are those brought about by deliberate group action to transform economic structures or to modify policies or practice. The spontaneous variations are those resulting from the interaction of normal economic forces. The most recent and important literature relating to each variation is discussed and the parts regarded as valid combined into a new statement. While there is some discussion of statistical method, *e.g.*, correlation, no use of advanced statistical techniques is made in reaching conclusions, although there are abundant statistical data introduced to illustrate theories. Contrary to his earlier disparagement of the mathematical school, in the present work Loria ventures the suggestion that the calculus of variations and tensor analysis may offer solutions to some problems which present apparent contradictions to ordinary analytic results.

The details of the discussion must be omitted, and although the critical treatment of other writers is often valuable, few conclusions are reached which are new or which are at variance with Loria's earlier position. Step by step he tries to demonstrate that there are limits to all variations, and that even systematic changes show regularities which can be understood

in terms of laws of development. Recognizing that enormous changes have been taking place, he rejects the contentions of the relativists, particularists, and neo-romanticists to assert his positivistic faith in an orderly economic universe, which can be understood by logical analysis. Though change may require the reformulation periodically of (static) laws, it itself is a manifestation of a more inclusive dynamic law. This study is intended as a contribution to the formulation of such dynamic laws, which are admittedly not fully discovered nor mutually consistent, but to which a possible clue is offered in the law of the association of labor mentioned above. Even those who cannot accept Loria's conclusions or his metaphysical postulates will concede the interest of the analyses made and respect the extensive learning of the author.

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Ständische Theorie des Geldes. By FRITZ OTTEL. (Jena: Fischer. 1934. Pp. viii, 192. RM. 10.50.)

Dr. Othmar Spann, professor of sociology and economics at the university of Vienna, is the editor of this series of monographs "Deutsche Beiträge zur Wirtschafts- und Gesellschaftslehre" which has been appearing since 1926 and of which the volume under review is No. 11. The series seems to be devoted primarily to the application of Professor Spann's "universalist" theories to a variety of special problems concerning the history, philosophy and practice of economics.

This "universalist" school of thought, which traces its spiritual ancestry from Plato via the medieval scholastics and mystics to the German romanticists of the early nineteenth century (Fichte, Hegel, Adam Müller, etc.), may be said to represent one of the many currents of the reaction of our time against the mechanistic materialism of a preceding age. Like Bergson, Spengler, the Gestalt psychologists and others, it insists again on a "whole" which is intrinsically not the sum of its parts. Society (that is the nation) according to this view—far from being a mechanical aggregate of equal individuals engaged in manipulating goods—is a spiritual and moral entity; its "parts" are qualitatively and functionally differentiated, organically interrelated groups, "estates"; the common characteristic of the individuals constituting the estates is not primarily their occupation or economic status, but their "degree of spirituality," the measure to which they contribute to or participate in the spiritual, intellectual, artistic, and political life of the nation. The science of such living social organisms has little or no use for the methods and categories of the physical sciences—causal relations in indifferent space and time, and their mathematical formulation—adequate and desirable though they seem to an atomistic, mechanistic conception of society.

This school seems to have gained considerable strength in Austria and

to a minor extent in Germany, to judge from the growing number of authors, books, and periodicals representing it, while writers in this country are seemingly giving but scant attention to the movement. This may have partly linguistic reasons due to the fact that the universalists write in a language peculiarly their own, of which adequate translations seem most difficult. (To this reviewer's knowledge only one of Professor Spann's numerous books, *A History of Economics,* 19th ed., has appeared in English, in 1930; and in it the chapter on universalist doctrine seems a veritable model of unintelligibility.) Yet the inaccessibility of some of these writings is regrettable; for their profound revaluation of social values is thought-provoking, if nothing else, and in particular is it helpful toward a deeper understanding of the present-day social and political developments in Europe.

In Chapters I-III Dr. Ottel expounds universalist ideas on money and value. Money is in its essential nature prior to and independent of any actual exchange of goods and services; it is a creative principle, the "coördinator of means toward ends," "capital of higher order," on a par with such institutions as laws, customs, treaties, that is, a regulator of economic life rather than a particular phase of it. As to theories of the value of money, the author disagrees altogether with the older Austrian school and its "individualistic" (and hence mistaken) views of subjectively determined values in terms of marginal utilities; he disagrees just as widely with the commodity theory of money, and all but rejects the "mechanical" quantity theory of money. According to him the social structure as a whole has to be considered before we reach the understanding of money value, since the latter depends on the amounts of all the other forms of capital of higher order. Chapter IV, "On correct money creation," contains the thesis from which the book derives its title. Based on Spann's ideas on *Ständische Gliederung* (social organization by estates and gilds) the author advocates credit institutions organized as integral parts of the gilds which, equipped with certain taxing powers, are to administer credit—not like actual banks according to mere estimated profitability, but with a view to social values and the social needs of the estates as a whole and as a member of the larger whole, the nation.

There is an abundance of references to the theories and views of many different writers on the subjects of money and value, but little or no reference to any actual or potential attempts of organization in the direction here advocated such as might perhaps be found in the corporative state of fascist Italy, or in the Third Reich, or in some forms of soviet organizations, or even in the "unredeemed" capitalist countries.

In this connection it is of interest to hear that just now the Austrian government has decreed the comprehensive organization of gilds, so far 47 in number.

John V. Spielmans

Chicago, Illinois

NEW BOOKS

ALBRECHT, G. *Einführung in die Volkswirtschaftslehre.* (Jena: Fischer. 1935. Pp. iv, 137. RM. 5.)

BARTON, J., *Condition of the labouring classes of society.* Reprint of economic tracts, edited by JACOB H. HOLLANDER. (Baltimore: Johns Hopkins Press. 1934. Pp. 69. $1.)

In reprinting this early nineteenth century pamphlet the title has been shortened so as to mislead the casual reader as to the nature of the contents. John Barton has little to say of the condition of the laboring classes. He is arguing with Ricardo, Malthus and Smith about the "circumstances which influence" their condition. The "circumstances" were the introduction of machinery which Smith and Ricardo regarded as advantageous to the wage-earner in spite of the inconvenience of removal from one employment to another.

Barton in 1817 made a distinction between the effect on wages of an increase of circulating and of fixed capital and argued that the increase in the latter alone would have no effect in increasing the demand for labor. Professor Hollander, the editor of the series of tracts of which this is one, believes that Barton "paved the way" for Ricardo's change of opinion on this matter. The pamphlet reveals many of the absurdities of classical rationalization on the relationship of wages, capital accumulation and population. The gem of the lot is Barton's own statement that "the remarkable increase of population which has taken place, not only in England, but in almost every European state, during the last fifty or sixty years, has perhaps proceeded from the increased productiveness of the American mines" (p. 26).

NORMAN J. WARE

CAIRNS, H. *Law and the social sciences.* (New York: Harcourt Brace. 1935. Pp. xiv, 277. $4.)

Mr. Cairns deals in separate chapters with the relationships between law and the subjects of anthropology, economics, sociology, psychology, and political theory, and the contributions they have made and may make to jurisprudence. His chapter on economics, to which about one-quarter of the volume is devoted, discusses the scientific status of economics, property, contract, succession, money-lending, taxation, the control of business, corporations, labor, the correlation of economic and legal principles, and the economic interpretation of legal history. He asserts that in its ideal economics does not differ from physics, chemistry or biology. The laws of the natural sciences are however marked by precision, universality and certainty, "and it is these characteristics which distinguish the natural sciences from the social sciences—to the disadvantage of the social sciences." In his opinion there is nevertheless no generic difference between the social sciences and the natural sciences.

A large part of the chapter on economics is devoted to a discussion of the various theories of property and to the connection between the primitive exchange of gifts and the modern contract. His treatment of the other subjects in the chapter is too brief to be more than suggestive. The economist will probably not find much that is new in this chapter, though he will be instructed and stimulated by the chapters dealing with the other social sciences. It is not unlikely that specialists in the other fields will react similarly. Despite its brevity, the book is a valuable contribution to the important task of correlating the various social studies.

EDWARD BERMAN

COPLAND, D. B. *W. E. Hearn: first Australian economist.* (Melbourne: Melbourne Univ. Press. 1935. Pp. 80.)

The Murtagh Macrossan lectures at the University of Queensland, 1935.

FLEMING, P. G. *The economics of American business: a study of the economic principles in modern business practice.* Rev. ed. (New York: Harper. 1935. Pp. 620. $4.)

GRAZIADEI, A. *Le capital et l'intérêt: critiques aux théories de Marx.* (Paris: Rieder. 1935. Pp. viii, 187. 25 fr.)

The reader with expectations aroused by the title may suffer some disappointments. *Le capital* is not defined nor its function in the economic process given explicit consideration. *L'intérêt* only is the theme, and the book opens with a discussion of two conceptions of it. Each of course implies an idea of capital but in both cases it is capital as a physical factor of production. Interest is considered only as something passing between borrower and lender, explicit or contract interest; but interest on every class of loan, it is asserted, must be covered by one theory. Marx is mildly censured for omitting consumption loans. And this, except for one other omission charged against him, is the only black mark he gets. In spite of the subtitle, it is Böhm-Bawerk, Fisher, Cassel, Clark, and the abstinence theorists, not Marx, who receive the blows. The crucial problem of what determines the rate of interest receives no attention. The reader is given no warning, but gradually it dawns on him that the discussion is restricted to *why* there is interest.

It is the author's opinion that interest as well as the "profit" from which it is derived, and land rent, which may find pecuniary expression as interest, is the outcome of our particular social organization including such matters as the comparative power of classes and private property. The argument is not stated positively but by way of criticism of those aiming to substitute for the institutional grounds something universal and independent of any particular form of society, something like time preference, the pain of abstinence or waiting, the necessity of apportioning the existing quantity of capital to its most important uses, and the "productivity" of capital.

In judging the book, however, allowance must be made for the fact that it is one of a series aiming at an evaluation of Marxian economics, at least one of the earlier publications bearing the same subtitle. In these earlier works the author rejected the labor theory of value but argued that the idea of surplus value can be given a valid basis without it. He also argued that there is "absolute rent" (rent on all lands in use even the least productive) but rejected Marx's explanation of it. These are some of the *critiques aux théories de Marx* which we miss in the present work. If his demonstration of an absolute rent could be accepted, that part of rent would appear as based entirely on private property. But what of differential rent? And in regard to the other property income, profit including interest, the question may be raised whether the rate of return on the value of factors devoted to providing for consumable income in a somewhat distant future is not a necessary instrument of calculation for every form of organization. Utopia of course may be rich enough to dispense with it.

As for a discussion of what makes the rate of interest and profit, the omission of which is somewhat like leaving Hamlet out of the play, that perhaps will be found in the next and final volume announced in the preface. We are told that it is to consider variations of the rate of interest under the action of demand and supply of capital, negative and zero interest, and questions re-

lating to profit and whether its rate shows a tendency to progressive decrease. The present volume, however, is worth reading even though it omits much and makes no major contribution. It contains some happy phrases and suggestive vistas and is certainly not too long.

G. A. KLEENE

HIGGS, H. *Bibliography of economics, 1751-1775.* Prepared for the British Academy. (New York: Macmillan. Cambridge, England: Univ. Press. 1935. Pp. xxii, 742. $11.)

HÖVEL, P. *Grundfragen deutscher Wirtschaftspolitik.* (Berlin: Julius Springer. 1935. Pp. vii, 192. RM. 4.50.)

JACOBSEN, J. *Economical laws of nature.* (Copenhagen: Author, St. Knudsvej 14. 1935. Pp. 57. 3s. 6d.)

JANZEN, C. C. and STEPHENSON, O. W. *Everyday problems in economics.* (Newark: Silver Burdett. 1935. Pp. 158. 60c.)

A collection of elementary problems in which the practice material includes exercises of the completion type, the multiple-choice type and the true-false type.

KERACHER, J. *Economics for beginners: elementary economics in simple language.* (Chicago: Kerr. 1935. Pp. 40. 10c.)

KNAPP, W. H. C. *World dislocation and world recovery: agriculture as the touchstone of the economic world events.* (London: P. S. King. 1935. Pp. ix, 203. 10s. 6d.)

This is an English translation of a volume by a Dutch economist, originally published in 1933. It was awarded the Humbert-Marie José prize of the International Institute of Agriculture in Rome for its distinction in the field of international agricultural economics. Briefly the thesis of the author is that the world community is coming increasingly under the power of a "consuming-democracy," with the result that we are headed for catastrophe unless radical changes are effected in our economic and social policy. Socialism offers no remedy for world dislocation; this is to be sought within the framework of the prevailing capitalistic order. Agriculture forms the natural basis of the whole of society, and this fact is largely ignored with serious detriment in the present stage of world history. The principal ills of the economic and social order are attributable to the extent of its departure from a laissez-faire régime. Hence, "the community can only be saved by restoring natural order. And this is only possible when there is free competition in every section of industrial life." The analysis is an able one from the standpoint of theoretical economics. It presents mainly the European point of view, Holland in particular, and was written before the Agricultural Adjustment Administration was established in the United States.

WILSON GEE

MARX, K. *Wage-labor and capital.* Rev. translation. (Chicago: Kerr. 1935. Pp. 59. 10c.)

PRION, W. *Die Lehre vom Wirtschaftsbetrieb (allgemeine Betriebswirtschaftslehre.* Buch I. *Der Wirtschaftsbetrieb im Rahmen der Gesamtwirtschaft.* Buch II. *Der Wirtschaftsbetrieb als Wirtschaft (Unternehmung).* Buch III. *Der Wirtschaftsbetrieb als Betrieb* (Arbeit). (Berlin: Julius Springer. 1935. Pp. viii, 162; iv, 217; 220.)

PÜTZ, T. *Das Bild des Unternehmers in der Nationalökonomie.* (Jena: Fischer. 1935. Pp. viii, 144. RM. 6.)

Ring, Sister M. I. *Villeneuve-Bargemont: precursor of modern social Catholicism, 1784-1850.* (Milwaukee: Bruce Pub. Co. 1935. Pp. xxxiii, 265. $3.50.)

This is an interesting account of a distinguished administrator and social reformer of the first half of the nineteenth century who, as the author shows, takes precedence of Bishop von Ketteler as precursor of the social philosophy of the Roman Catholic Church. Although Villeneuve-Bargemont held Adam Smith and J. B. Say in high esteem—and even Malthus who, as he said, "proclaimed sorrowful though striking truths"—he criticized them severely on several counts: because of laying undue stress on production as compared with needs, treating human labor as a mere commodity, regarding professional labor as unproductive, and lacking special direction, for social work. Yet much of this criticism seems to be beside the mark, for those economists were trying to create a positive rather than a normative science and, therefore, gave chief attention to what is rather than what should be. Certainly, the author of *The Theory of Moral Sentiments* was well aware of the ethical aspects of all human activity although, as Alexander Gray puts it, "Like most Scots, Adam Smith did not easily wear his soul on his sleeve."

Villeneuve-Bargemont's contributions to economic theory were negligible, but he was a pioneer in the scientific study of poverty and the formulation of definite plans for the amelioration of social conditions. His survey of pauperism and beggary in Europe was a notable achievement, and his program for counteracting the evil effects of capitalism so closely resembles the celebrated encyclical *Rerum Novarum,* issued by Pope Leo XIII in the year 1891, that it looks as though the latter work might have been partly borrowed from the former. But, of course, both agree with the traditional social doctrine of the Catholic Church formulated long ago by St. Thomas Aquinas.

Villeneuve-Bargemont strongly advocated the belated and inadequate labor law of 1841, establishing a maximum working day of eight hours in factories for children under eight years of age, and favored increased appropriation of public funds for poor relief, but, like most economists of his time, he did not expect much from governmental intervention. He appealed rather to the good will of Christian employers for better wages, conditions of work, and other reforms. An aristocrat, like Von Ketteler, he was essentially conservative, upholding the sanctity of private property and the Christian doctrine of stewardship. It would be hard to improve upon his definition, negatively stated, of a sufficient wage:

"That salary is insufficient that does not furnish the worker with the reasonable essentials of life, as demanded by the habits and exigencies of the country in which he lives; the means to exist fitly, *i.e.,* to have healthful food; warm, comfortable clothing; ventilated dwellings affording proper protection from the rigors of the seasons; means to support and raise a family and to make provision for sickness and old age."

J. E. LeRossignol

Roberts, H. V. *Boisguilbert: economist of the reign of Louis XIV.* (New York: Columbia Univ. Press. 1935. Pp. ix, 378. $3.50.)

Strachey, J. *The nature of capitalist crisis.* (New York: Covici Friede. 1935. Pp. vi, 400.)

Weber, A. *Leitfaden der Volkswirtschaftspolitik.* (Munich: Duncker und Humblot. 1935. Pp. viii, 206. RM. 4.20.)

This primer on economic policy is a companion to an earlier primer by Weber on theory which was reviewed in the *American Economic Review* for March, 1935.

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It examines the economic legislation of the Third Reich from the handy viewpoint that the economist must neither propose nor criticize the goals of economic policy, which are the state's concern, but must rest content with the task of suggesting methods by which the ends are to be gained or of ferreting out measures which would fail to reach the goals. The examination proper of each branch of legislation is headed by a summary consideration of preceding and current conditions and is followed by a checklist of the legislation.

All the principal departments of economic policy, with the exception of public finance and money and banking, are given space. Pride of place goes to agriculture on the ground that the strength of the nation is rooted in the farmer. As an assurance of the continuance of this strength there is discussed: the *Reichserbhofgesetz,* which makes the middle-sized farm the inalienable property of a family; the present *Siedlungspolitik,* designed to increase the number of middle-sized farms at the expense of the large estates; and the *Reichsnährstandgesetz,* which protects the farmer from disadvantageous market conditions. Representative topics under the superscription of industry are: the prescribed gild system for the small concerns; the advantages of combination in large-scale industry; and the possibility of producing substitutes for the raw materials now imported. The discussion on labor centers in the abolition of unions and the banding of all workers and employers in the *Arbeitsfront* where divergent class interests are to vanish in the harmonic interest of employer and employee. In merchandising the keynote is the benison of the unit store. With foreign trade the present restrictions are held to be temporary necessities which are to be abandoned in time for a happy combination of autarchy and free trade ("freie starke Nationalwirtschaft in einer freien starken Weltwirtschaft"). Throughout it is manifest that the author approves the various purposes of the new legislation, despite his postulated unconcern with ultimate aims.

For anyone who desires a compend of the economic legislation of Nazi Germany by an economist of rank, as well as a specimen of the use of economic theory when it is presumably uninterested in ends, this primer will be of service.

R. S. Howey

Wollemborg, L. *Scritti e discorsi di economia e finanza.* Biblioteca di scienze sociali, nuova ser., vol. II. (Turin: Bocca. 1935. Pp. xxviii, 696. L. 40.)

Leone Wollemborg (1859-1932), an economist by training, was early led into a public career, first as deputy, later as senator, and served for a time as minister. For this collection of papers, authorized by his widow and son, Professor Graziani has written a memorial preface which contains a warm appreciation of Wollemborg's mind and activities. One-half of the volume reprints economic articles of various origins, the other half, speeches delivered in Parliament. A portrait shows the author in his middle years. There is a bibliography of 192 items.

The volume opens with Wollemborg's doctoral dissertation on relative cost of production as the determinant of value, and proceeds to discussions of cooperation and of Raiffeisen banks, thence to a considerable series of essays on taxation, tariffs, and national budgets, which were the main interest of his maturer years. The parliamentary discourses are predominantly on financial subjects, and reflect in a vivid way the economic history of Italy during a period of thirty years. Wollemborg was a man of gentle spirit and a scrupulous mind. His papers are marked by adherence to principle and the long view of human affairs.

Robert F. Foerster

Economic History and Geography

The New York Merchant on the Eve of the Revolution. By Virginia D. Harrington. Stud. in hist., econ. and public law, no. 404. (New York: Columbia Univ. Press. 1935. Pp. 389. $4.50.)

This book contains much of interest to the economist and the economic and business historian. It gives an excellent portrait of the entrepreneur in one stage of his development, that is, of the sendentary merchant, who played such an important part in business in the medieval and early modern period. Through the work of the merchants of New York on the eve of the Revolution, Dr. Harrington gives considerable insight into the system brought by the Commercial Revolution to carry on a rapidly expanding trade; by revealing the inadequacies and weaknesses of that system, the author has constructed a useful background against which to see the revolution in business which came in the nineteenth century. This book, further, contains suggestive information and observations on fluctuations in business on the eve of the Revolution; Dr. Harrington concludes that the fluctuations in the 1750's and 1760's were of different origin than the modern business cycle. Of special interest in these days of the New Deal is the sensitiveness of the business of pre-Revolutionary New York to imperial commercial policy.

The business of the New York merchant before the Revolution was characterized by simplicity of organization but great complexity of function and activity. A merchant might be importer, exporter, wholesaler, retailer, manufacturer, banker, commission agent, shipowner, investor, and whatnot, all in one. Specialization was in the making, however, and even something approaching our modern integration of specialized functions had appeared. But the relatively unspecialized general merchant was the rule. Dr. Harrington suggests two reasons why one type of specialization, that is, in the kinds of goods handled, was relatively scarce. The shortage of specie forced the merchants to exchange goods for goods, which made it necessary to carry a variety of merchandise; and the prevailing debtor relationship with English merchants forced the Americans to trade with other places than England in order to secure the means with which to maintain their credit in the mother country. I should like to suggest that these problems might in some degree have been solved by commercial banks in New York, if properly managed. Had such banks been allowed to develop, the credit problems of the merchants could probably to some extent have been handled in their home community and balances settled on account rather than in goods.

Dr. Harrington's main object has clearly been not to evaluate but to describe a business situation at a given time. The author has searched assiduously into the experience of those merchants by carefully examining their own business records as well as a wide variety of other contemporary sources. The results show the value, to historical study, of business letter-books and

account-books. The author has a considerable insight into the larger setting of the business with which she deals. The book is clear in organization and very readable. To sum up, it is an excellent contribution to our knowledge of a very significant figure in the history of business.

HENRIETTA M. LARSON

Harvard University

Brazil: A Study of Economic Types. By J. F. NORMANO. (Chapel Hill: Univ. of North Carolina Press. 1935. Pp. xii, 254. $3.00.)

This is a stimulating and informing book. It interprets economic, and incidentally political, Brazil as a product of historical and geographical factors controlled by a moving frontier. Under the influence of these factors the leading products of the country have changed successively from sugar to gold, to cotton, to rubber, and to coffee with present signs of maturing into more diversified, better balanced, and less colonial forms of production. Under the influence of these same factors the representative Brazilian has changed in turn from the scouting explorer of the wilderness to the frontier settler, to the large planter, and to a contemporary type affected by modern urbanizing tendencies. Supplementing and amalgamating with the native elements has been the immigrant, who is increasingly significant in the country's development. An interesting chapter discusses the effect of world cycles, of political and social thought, and of business activity upon the trend and tempo of Brazilian progress. Two historical and statistical chapters dealing respectively with public finance and with currency and banking conclude the volume.

Although the author has an arresting style characterized by brilliant turns of language, some passages are obscured by expressions more original than precise. The statistical set-up of the two last chapters might be improved. Nevertheless they are an illuminating exposition of an intricate subject and give the reader a clearer impression of Brazilian finance than he is likely to get from other sources. The author associates the government's treasury vicissitudes with the abrupt alternations of good and bad times common to new and rapidly developing countries, and with defects in the nation's political structure due to obvious geographical and historical causes.

At one time Brazil was the leading cotton producer of the world. Americans are now asking with some concern whether she will shortly recover that position. This volume does not specifically discuss the question, but its general argument suggests that she will not. Hitherto her supremacy has corresponded "with *periods of first appearance* of a product in large quantities on the world market." This particular question, however, naturally extends to topics beyond the scope of Mr. Normano's study, like the ratio of cotton exports to domestic consumption on the one hand, and on the other the possibility that imported capital and management may create new and more favorable conditions of production in Brazil.

The book has a good index and a bibliography and is based on a wide variety of sources. It is a valuable contribution to our literature upon the largest and most important country south of us. Students, investors, merchants, and tourists whose interest lies in that part of the world will find it a helpful aid for a solid understanding of Brazil.

VICTOR S. CLARK

Library of Congress

The Estates of Crowland Abbey: A Study in Manorial Organization. By FRANCIS M. PAGE. (New York: Macmillan. 1934. Pp. xiv, 462. $7.50.)

This careful study of the Crowland estates is based upon the account rolls and the court rolls now in the possession of Queen's College, Cambridge. The records cover in general the period from 1258 to 1528, but there are many gaps. No extents are available for any of the manors of these estates, but this deficiency is partly offset by other documents. The material is also limited in scope geographically: the manors outside Cambridgeshire are represented only for the period prior to 1322. Despite all these limitations, the series of rolls is unusually long and continuous, and the material supplements in many ways the published records of Ramsey and Crawley. The court rolls of the three Cambridgeshire manors are absolutely complete for the period from 1290 to 1420. From 1420 to 1522 more than 35 years are missing, but only one gap exceeds 10 years in length. The series of accounts is not as complete, and the deficiencies are of course more important because they interrupt the statistical series. The more important material in the accounts has been reduced to tabular form: the rents of 15 manors for 30 years between 1258 and 1322; various series of prices and wages for various manors; and an important table of the yield of grain for the manor of Oakington. The fifteenth century material is too scattered to justify tabulation. Two-thirds of the volume is devoted to the publication of selections from these records.

The limitations of the material make it dangerous to seek positive conclusions for any problem, but the bearing of the documents upon general problems of manorial organization has been carefully stated in the text. The documents prove most useful for the study of the executive and judicial organization of the estates. There is much interesting material on the official staff of the manor, its functions, and its shortcomings. The activities of the courts of the Abbot are fully recorded for an important period in the development of the view of frankpledge. Distinction between the two functions of the courts was not as clearly preserved as at Ramsey, so that in the late fourteenth century we find one court with two functions rather than two courts.

The continuity of records emphasizes the danger of assuming that changes

in manorial organization took place at sharply defined dates. As at Crawley, commutation was a process involving many gradations and a long period of time. Three types of commutation appear on the Crowland estates: "sale" of works not needed in a particular year; commutation for a period of years with express reservation of the right to resume the old system of labor service; and commutation that is admittedly permanent. In this connection it is notable that the Black Death produced no catastrophic change. There were three visitations of the plague between 1349 and 1361, but changes are not clearly perceptible until after 1361. There was no sharp or immediate increase in commutation.

There are some evident advantages in the study of the manor as a unit, and a few studies of this type are certainly desirable; but such studies must always be inconclusive. No manor or group of manors presents more than a single case. More substantial conclusions may be secured by limiting attention to particular problems in larger areas. There are practical difficulties, of course, and the physical difficulty of dealing with larger masses of obscure manuscripts, but the ultimate reward is greater. One cannot but wonder if the positive results of the purely local study are really commensurate with the heavy labor involved.

ABBOTT PAYSON USHER

Harvard University

Hooton Pagnell: The Agricultural Evolution of a Yorkshire Village. By ARTHUR G. RUSTON and DENIS WITNEY. (New York: Longmans Green. London: Edward Arnold. 1934. Pp. viii, 459. $10.50.)

From a study of one of the survivals of the old manorial system of life and agriculture, the authors have been able to throw much light on the development of English farming. Their painstaking research revealed unusual sources of information—old maps, deeds, church records, private accounts, records of the manor, leases, the Domesday Book and the Luterel Psalter. The last is characterized as "the most unique and priceless medieval manuscript of its kind in the whole world." Completed about 1340 for a lord of the manor of Hooton Pagnell, this document depicts in marginal illustrations the scenes of rural and domestic life of the period, a dozen of which are reproduced in this work.

The authors set before themselves various questions regarding the agricultural development of Hooton Pagnell, such as the changes in responsibilities and privileges of ownership; the alterations in the size of farms and in systems of land tenure; the influence of the feudal régime, the Church and the Industrial Revolution upon rural life.

Although the total area of land available in Hooton Pagnell, as in all England, has not changed to a great extent since the Norman Conquest, the changes in utilization of the land have been marked. The authors find the industrial development of England to have been the chief reason for

these changes, a more intensive agriculture being imperative in order to supply the needs of a growing non-agricultural population. As a result of the movement for a more efficient agriculture, there came the exchange of strips of land in order to consolidate the holdings of the individual farmer and effect an economy of time and labor. In Hooton Pagnell, however, this consolidation is known to have begun earlier than the growth of industry, having progressed more or less steadily from 1297 to 1931. During this same period the size of the average farm increased from 20 acres to 147 acres.

An interesting feature of the study is the evidence of part-time farming in Hooton Pagnell even in its early history, when but a small proportion of its inhabitants derived their living from farming alone.

Nor is control of agriculture by some agency other than the man on the land a new idea. Until the eighteenth century, the authors find, the arable land of the manor was worked on a compulsory three-year rotation—"winter corn, spring corn, fallow"—under the supervision of the steward of the manor. The lord of Hooton Pagnell also imposed certain restrictions on the cropping and marketing, these set forth in the lease. The common grazing land and meadow were likewise subject to communal supervision operating through the manorial court.

Hooton Pagnell is of particular importance in agricultural history because it was one of the areas in which the rights of tenants were early recognized and protected. Careful evaluations of the various crops and farm enterprises were made the basis for fair allowances to the outgoing tenant nearly forty years before the first Agricultural Holdings act. The authors assert that the Holdings acts would not have been necessary had the rights of tenants been as carefully safeguarded everywhere as in this parish.

One of the most valuable portions of the book is the chapter on land tenure, including the classes of tenants at various periods, the rents and services exacted, details of leases, mineral and shooting rights, and the general rights of the lord of the manor.

The study represents exhaustive research, each point being carefully authenticated. A unique piece of work, the book will be of the utmost interest to economist and historian alike.

LORIAN P. JEFFERSON

Massachusetts State College

Glossary of Mediæval Terms of Business. Italian Series, 1200-1600. By FLORENCE EDLER. (Cambridge: Mediæval Acad. of America. 1934. Pp. xx, 430. $6.00.)

This glossary was undertaken to facilitate the study of the important series of Medici manuscripts deposited with the Harvard Graduate School of Business Administration by Mr. Gordon Selfridge of London. In order to secure greater accuracy and enhance the value of the work to scholars, the

immediate task was extended to include a large mass of manuscript and printed material covering all the primary problems of Italian business law and practice. As Italian law became the basis of European practice, the glossary serves as a general introduction to modern business law.

The vocabulary is based upon a careful selection of primary technical terms and phrases taken from the texts of municipal statutes and ordinances; the letters, legal documents, and accounts of business men; the contemporary treatises on commercial affairs and accounting. These materials have been studied in the light of the standard treatises and monographs. The finished work is thus much more than a guide for English speaking persons. It is the best documented vocabulary of these terms available in any language. There are many words that do not appear at all in the large dictionaries of Crusca and Tommaseo, notably in respect of technical terms relating to crafts and business practice, but this addition to our knowledge is less important than the addition of the specialized meanings of common words, and the early legal definitions of terms which changed in meaning after 1600.

The careful definitions of the terms relating to banking and credit are characteristic of the historical scholarship involved. The term "ditta" does not appear in Tommaseo in its important meaning as a book entry in a bank of deposit. The terms "fede," "scritta di banco," "contado di banco" are carefully documented with passages that establish their meaning beyond possible doubt. These terms have been inaccurately read by many nineteenth century writers, Italian as well as foreign, who have allowed modern law and usage to influence their interpretation. The controversies which have obscured the early history of banking in Italy are, thus, definitely settled.

The accounting terms, also, constitute a notable contribution, though the early treatises on accounting have long been an important resource to scholars working in the largest libraries. Of the three terms used in accounting for "capital" only one, "capitale," appears in Tommaseo. Neither "corpo" nor "monte" is given in this meaning. Tommaseo's citation for "capitale" comes from Boccaccio; Miss Edler has a citation of 1283 taken from the Sienese letters.

Apart from the primary vocabulary, there are classified lists of many groups of terms: Florentine coins and money of account; units of weight and measure, with contemporary equivalences in terms of Florentine or Venetian standards; classified business terms; and all the technical terms relating to each step in the process of the manufacture of woolens and silk.

Nearly one-quarter of the volume is devoted to appendices, which describe the primary features of Medici partnerships and modes of accounting. Extensive transcriptions with translations enable a student to form a vivid picture of the general business practices of the firm. References to the manuscripts of the Selfridge collection indicate clearly the scope and char-

acter of this material. The appendix on bookkeeping sketches tentatively the stages in the development of "double-entry," with references to other Florentine and Italian material. No attempt has been made, however, to carry this analysis to a conclusion, as attention has been given mainly to the transcription, translation and interpretation of the characteristic entries of the various books. Despite limitations of space, the essay is no less illuminating than the more imposing monographs of Sieveking and Weitnauer.

Shorter studies give much detail on the organization of the cloth business of the Medici, covering both the general features of the business and the accounting practices peculiar to this special branch. The volume is, thus, an extensively documented introduction to the Medici papers in the Selfridge collection, although there is nothing in the title to suggest this breadth of interest. The average English reader will doubtless find this feature of the volume of greater interest than the glossary itself. The appeal of this material is perhaps somewhat less general than Corsini's study of Francesco di Marco, but this study of the Medici is comparable in the range of its interest. The volume would, thus, be more happily described under a somewhat more general title, but no single title could adequately convey the full breadth of its significance.

ABBOTT PAYSON USHER

Harvard University

NEW BOOKS

BRUCE, P. A. *Economic history of Virginia in the seventeenth century.* Vols. I and II. Reprint ed. (New York: Peter Smith. 1935. Pp. 634; 647. $7.50.)

FANFANI, A. *Cattolicesimo e protestantesimo nella formazione storica del capitalismo.* (Milan: Soc. Ed. "Vita e Pensiero." 1934. Pp. viii, 159. L. 8.)

Only about one-half of Signor Fanfani's relatively brief study is devoted to the subject matter suggested by the title. The first four chapters are concerned with a statement of the problem, a description of the essence and instrumentalities of capitalism, and a brief exposition of the theoretical relations of the state to capitalism. The last three chapters discuss both corollary and complementary relationships between Catholicism and Protestantism, on the one hand, and the precepts of capitalism on the other. Bibliographical material is confined largely to the literature of the last half century, Italian, German, French and English authorities being used in the respective order of emphasis. For American students to disentangle cause and effect will be difficult, as they will argue that there have been equally broad changes in these great divisions of religion and in the principles of capitalism, and that the direction of causality is a matter for conjecture. A thorough analysis of the religious origins of, and forces involved in, the operation and organization of different economic systems remains to be written. Here and there have appeared isolated studies discussing particular phases of an individual system or even sections in the chronological development of whole systems. As economic thought increasingly differentiates between the philosophical and applied aspects of man's material well-being, such discussions as this will be more inviting.

F. F. BURTCHETT

FAULKNER, H. U. *American economic history.* 3rd ed. (New York: Harper. 1935. Pp. xvi, 816. $3.50.)

This well known and excellent text has been enriched with 26 new maps, and the narrative has been brought down to the end of 1934. Changes in the text through chapter 25 are incidental and confined to individual pages. But the new maps add much to the vividness of presentation of many important points in the text. The last three chapters of the second edition have been entirely rewritten with new titles and new orientation. The three chapters which take their place are somewhat longer and present even the earlier material in a new light. The new titles are: "America and the World War"; "The great illusion"; and "Economic collapse." The treatment of the war period is compressed. The discussion of the post-war period is new in its essential features, and there is an excellent and objective description of the New Deal. The difficult problems of the business cycle are presented with unusual skill and judgment.

A. P. U.

GIRETTI, E. and GIRETTI, L. *Il protezionismo e la crisi.* (Turin: Einaudi. 1935. Pp. 170. L.12.)

The authors of this little volume announce modestly that it is presented "without scientific pretensions" (p. 15). This will explain and justify those parts of it—particularly in Part 2, for which the junior author is directly responsible—which are little more than a repetition of the familiar arguments against the still more familiar fallacies of crude protectionism. It will help to explain also certain passages—again to be found chiefly in Part 2—which may strike some readers as extreme, or at any rate loose, in their implications with respect to the relationship between protectionism and either "prosperity" in general (as, *e.g.*, p. 111) or the events leading to the collapse of 1929 (*e.g.*, pp. 129 ff.). It is only fair to add, however, that the main emphasis is directed toward demonstrating not that protectionism was the chief "cause" of the crisis, but rather that the protectionist measures adopted have not had the curative effects claimed for them (though one wishes that the authors could have found it possible to examine more in detail the case of England, for which the most plausible claims have been advanced in this connection) and that these measures have, on balance, tended to intensify rather than relieve the crisis.

The main interest of the book for many readers, however, will be found in Part 1, for which Edoardo Giretti, uncle of the junior author, is directly responsible. The basis for its interest is less the positive substance of the contribution—although, judged from the standpoint of its probable effect on a popular audience, it would have claims to be regarded as a "contribution"—than the light it throws on the extraordinary personality of the author. Edoardo Giretti is one of that small group of idealistic defenders of liberalism of the Cavour tradition (*cf.* p. 36) for whose qualities one can express only the deepest and most genuine admiration. It is interesting to be reminded by occasional references (see, *e.g.*, the footnotes to pp. 18, 19, 40, 42, etc.) which are as free of boastfulness as they are of false modesty, of the part which Edoardo Giretti played, as a writer and as a member of the Italian Chamber of Deputies, in the struggle on behalf of the ideals of this remarkable group of men; but it is much more interesting to discover, from a reading of these pages, masterly in their subtle suggestiveness, that the tradition itself still manages to live and breathe, albeit with difficulty, in the Italy of today.

ARTHUR W. MARGET

FITZGIBBON, R. H. *Cuba and the United States, 1900-1935.* (Menasha: Banta Pub. Co. 1935. Pp. xi, 311.)

HONJO, E. *The social and economic history of Japan.* (Kyoto: Maruzen. Pp. 410. $4.)

HORRABIN, J. F. *An atlas of European history from the second to the twentieth century.* (New York: Knopf. 1935. Pp. x, 141. $1.50.)

HOSKINS, W. G. *Industry, trade and people in Exeter, 1688-1800, with special reference to the serge industry.* (Manchester: Manchester Univ. Press. 1935. Pp. 189. 9s.)

HOWARD, H. F. *An account of the finances of the College of St. John the Evangelist in the University of Cambridge, 1511-1926.* (New York: Macmillan. Cambridge, England: Univ. Press. 1935. Pp. xiii, 398. $7.)

HUNTER, L. C. *Studies in the economic history of the Ohio Valley: seasonal aspects of industry and commerce before the age of big business; the beginnings of industrial combination.* Stud. in hist., vol. 19, nos. 1 and 2. (Northampton: Smith Coll. 1935. Pp. 130.)

JONES, C. F. *Economic geography.* (New York: Holt. 1935. Pp. xvi, 448.)

This economic geography is written down to the level of high-school students without sacrificing soundness of reasoning to simplicity. The relation between physical environment and economic development is clearly explained in a simple, terse style adapted to the age group for which the book is written. Numerous dot maps drawn especially for this volume, carefully chosen photographs, and diagrams of typical farm units illuminate the discussion.

After a general introduction, the author uses an occupational approach based upon the following major divisions of human industry: hunting and fishing, grazing, farming, lumbering and gathering of forest products, mining, manufacturing, and trade. Each division consists of a general survey followed by chapters on the developments of the industry in typical important areas. Farming, for instance, is subdivided into chapters on the leading crops of tropic, monsoon, Mediterranean, semi-arid, and temperate climates.

By the use of numerous questions, exercises, suggested readings, and topics for investigation and report which the author distributes throughout the book, teachers may find enough material for a full year's course. The experience of the author and manuscript criticism by numerous students and teachers of geography have produced a volume relatively free from factual errors.

ROBERT B. PETTENGILL

JONES, C. L. *Costa Rica and civilization in the Caribbean.* (Madison: Univ. of Wisconsin. 1935. Pp. ix, 172.)

Chapters on population problems, coffee and fruit trades, public debts and social conditions, with a four-page bibliography.

KNOOP, D. and JONES, G. P. *The London mason in the seventeenth century.* Issued in advance of *Ars Quatuor Coronatorum,* vol. xlviii, part 1. (Manchester: Manchester Univ. Press. 1935. Pp. 92. 5s.)

LENIN, V. I. *Selected works.* Vol. V. *Imperialism and imperialist war (1914-1917).* (New York: Internat. Pubs. 1935. Pp. xv, 392. $2.75.)

LESCURE, J. *Le bolchévisme de Staline (le régime des Plans).* (Paris: Domat-Montchrestien. 1934. Pp. 124. 16 fr.)

An informative and temperate little volume. The creation of a formidable industrial plant and the collectivization of agriculture are conceived to be the

outstanding achievements. Both were made possible by the exercise of a rigorous dictatorship, something which is neither desirable nor feasible for the countries of western Europe. The former is deemed to be an achievement of the first magnitude. It has demonstrated the ability of a country to create capital goods on a huge scale without recourse to private saving. It has made possible the assimilation into industry of a large portion of Russia's annual increase in population. The policy with respect to agriculture is deplored. It would have been better to encourage the family farm. The necessary concessions to individualism in the execution of both the industrial and agricultural plans are stressed. The workers in both field and factory are deemed to be happier in western Europe than in the U.S.S.R.

LEO ROGIN

LOKANATHAN, P. S. *Industrial organization in India.* (London: Allen and Unwin. 1935. Pp. 413. 15s.)

MACCALLUM, E. P. *Rivalries in Ethiopia.* (New York: World Peace Foundation. 1935. Pp. 64. 50c.)

NODEL, W. A. *Supply and trade in the U.S.S.R.* (New York: Putnam. 1935. Pp. 176. $1.75.)

RIST, C., editor. *Tableaux de l'économie française, 1910-1934.* (Paris: L'Inst. Sci. de Recherches Econ. et Soc. 1935. Plates, 52.)

A new high standard in chart making has been set by the present volume, published as a work of collaboration by the Institut Scientifique de Recherches Economiques et Sociales, a French research institute that owes its origin to the Rockefeller Foundation.

The charts consist of 52 plates, many of them blocked in pure strong colors, beautifully printed on large sheets of fine paper, folio size, and each plate has an accompanying page of commentaries. The sheets are unbound, in a portfolio; they are rather difficult to handle and keep in order, owing to their large size; but they would be most effective for showing to a class. Quite decorative, some of these economic rhythms and designs! "How much more striking," says Charles Rist in his introduction, "how much easier to understand and retain in the memory are such graphic pictures than any other method of representation. They suggest questions, pose problems, reveal anomalies or concordancies which might never be disclosed by the examination of separate series of digits."

They are extremely interesting—in a few glances one can take in a survey of the economic history of France in the twentieth century, and compare it with that of the other great nations. There are graphs "translating," as the French say, the gold stocks of the world, international prices, instruments of payment, population, production, consumption, imports and exports, the labor market, income and savings, the money market, public finances, and finally seasonal variations. Here one can only stress a few of the striking facts they reveal.

Among the various population charts Plate 8 shows the "pyramids of ages" in four countries at different dates. By glancing for a few seconds at the contours of four little colored Christmas trees, one can study not only the numerical relationships of the sexes at different ages, but the birth rate, the death rate, infant mortality, the progress of medical science, the effects of emigration and the results of the World War upon the populations of France, England, Germany and Italy.

Plate 13 shows the great increase in the metallurgical industries of post-war France. Even in the depression the amount of iron mined was higher than its highest peak before the war. Plate 15 shows the increase of "energie"—in recent years a fivefold increase of electrical power. Since 1919 the number of French communes served by electricity has gone up from about 7,500 to 34,600. In general, per capita consumption of various kinds is going satisfactorily upwards, as shown by Plate 18.

Plate 19, "The balance of accounts of France," is very striking. Vividly in color are shown through the years 1920-1933 the changing elements. There is a great splurge of yellow from 1928-32, showing the great import of gold, and there is a sad shrinking of the pink, effect of the depression on the expenditures of tourists, no small item.

Accompanying Plates 31 and 32 are thoughtful commentaries on French statistics, especially the statistics of unemployment. We find that after the crisis of the beginning of 1932 the average duration of work increases through to the middle of 1934, whereas the number of people employed falls off. Compare that with the effect of the N.R.A.

Plate 48 gives the budget of the French National Government before and after the war, showing that although in gold the expenditures for the army and navy are about the same as in 1913, the payment of interest on debts, in terms of gold, from 1926-34 equals almost the total expenditures of the government in 1913. Nearly all the charts relating to public finances wear a melancholy aspect. The French budget has long lost its balance and fallen over the wrong side of the line, where it is being swallowed up by the French public debt, here most realistically represented as a yawning and ever widening abyss of the deepest funereal black. OLIN INGRAHAM

SCHMITZ, J. W. *Thus they lived social life in the republic of Texas.* (San Antonio, Texas: Naylor. 1935. Pp. vi, 141.)

STEPHENSON, W. H. *Alexander Porter, Whig planter of old Louisiana.* (Baton Rouge: Louisiana State Univ. Press. 1934. Pp. 154.)

TIBAL, A. *La Tchécoslovaquie: étude économique.* (Paris: Lib. Armand Colin. 1935. Pp. 223. 12 fr.)

TILTON, C. G. *William Chapman Ralston, courageous builder.* (Boston: Christopher Pub. House. 1935. Pp. 272. $4.)

WESTERMANN, J. C. *The Netherlands and the United States: their relations in the beginning of the nineteenth century.* Economisch en sociaal-historische onderzoekingen, vol. iv. (The Hague: Martinus Nijhoff. 1935. Pp. xix, 415. $6.50.)

Economic and social problems and conditions of the southern Appalachians. U. S. Dept. of Agric. misc. pub. 205. (Washington: Supt. Docs. 1935. Pp. 184. 50c.)

Extracto estadistico del Peru: 1931-1932-1933. (Lima: Ministerio de Hacienda y Comercio. 1935. Pp. xix, 299.)

A finding-list of British Royal Commission reports: 1860 to 1935. (Cambridge: Harvard Univ. Press. 1935. Pp. 66.)

A study of Michigan: a progress report on an inventory of its resources, its physical, social and economic character to serve as the basis for permanent, adjustable state planning. (Lansing: Michigan State Planning Commission. 1935.)

World economic review, 1934. (Washington: Supt. Docs. 1935. Pp. vi, 350. 30c.)

World economic survey: fourth year, 1934-35. (New York: World Peace Foundation. Geneva: League of Nations. 1935. Pp. 300. $2.)

Agriculture, Mining, Forestry and Fisheries

Kohle und Eisen im Weltkriege und in den Friedensschlüssen. By FERDINAND FRIEDENSBURG. (Munich: Oldenbourg. 1934. Pp. 332. RM. 8.80.)

The purpose of this book is to clarify the rôle which iron and coal have played in the developments that led to the World War, during the war, and in the peace settlements. A vivid picture is unfolded before the reader of the peculiar distribution of coal and iron fields right under the political boundaries between the two continental antagonists, with coal predominating on the German, iron ore on the French side; interesting comments are made on the manifold ways in which this situation has affected the political aspirations and commercial policies of both nations throughout modern history. Special emphasis is placed on the effects of the German occupation of the eastern French iron and coal districts, the exploitation of the iron mines in the Briey basin for German munition making, and on the reasons for the partly accidental, partly deliberate, destruction of the French coal mines by the Germans. Next, the peace settlements in regard to coal are treated in considerable detail, in particular the origin of the peculiar arrangement concerning the Saar: how it grew out of the clash between Clemenceau, determined to annex the coal basin to France, and Wilson, almost though not quite as determined to prevent this annexation; the eventual compromise of the fifteen-year separation from the Reich, preliminary to a plebiscite, designed by the fertile brain of Lloyd George who, in return for this service to France, received her consent to British exploitation of the Mosul oil fields.

The aim in much of this discussion is to demonstrate that France used the destruction of her coal mines by the Germans largely as a pretext under which to achieve her age-old ambition of obtaining control of the Saar basin; that the many other coal deliveries imposed on Germany by the Versailles treaty vastly overcompensated those exaggerated losses; that therefore the view of the Saar as "just reparations for damages done" is altogether unwarranted.

The last part treats, though far more briefly, of the redistribution of the Silesian coal fields among Poland, Czechoslovakia, and Germany.

As will be apparent, the book is not, and hardly means to be, a disinterested investigation. Although written plainly from a German point of view, it contains, nevertheless, much valuable information, especially of a geopolitical character. In the opinion of the reviewer, it would have gained greatly in interest and comprehensiveness if the rôle of oil in the World War had been treated also. Of course, the development of aviation, of tanks, the adoption of oil burning navies, the mechanization of armies, the wider application of the Diesel motor—all depending on oil for their fuel—were phenomena largely of the later part of the war or of the post-war period. On the other hand, the thinly disguised German designs on Mesopotamian

oil and the resultant Turkish policy of the Reich was a pre-war development which, through its many implications (its danger to the British "road to India," its competition with British designs on the same oil fields) was doubtless one of the major causes of the German-British conflict. Nor did the German general staff display indifference toward oil when, at its first opportunity, it directed the swift occupation of the Rumanian and Russian (Baku) oil fields. In fact, the tremendous importance of oil in swinging the balance of power during the war was plainly acknowledged by no less an authority than the late Lord Curzon (one of the permanent members of the war committee of the British cabinet), who is quoted as having said that the Allies won the war on the waves of American oil.

The book is well indexed, contains a number of political and geological maps, many statistical tables, and a comprehensive bibliography of almost 300 sources in German, French, and English; one might however wish for more source references in the text itself, especially as to the statistical data.

JOHN V. SPIELMANS

Chicago, Illinois

NEW BOOKS

BLACK, J. D. *The dairy industry and the AAA.* (Washington: Brookings Inst. 1935. Pp. xiv, 520. $3.)

DAVIS, I. G. and SALTER, L. A., JR. *Part-time farming in Connecticut: a preliminary survey.* Bull. 201. (Storrs: Connecticut State Coll. 1935. Pp. 47.)

DAVIS, J. S. *Wheat and the AAA.* (Washington: Brookings Inst. 1935. Pp. xvii, 468.)

EISENHOWER, M. S. and CHEW, A. P., editors. *Yearbook of agriculture, 1935.* (Washington: Supt. Docs. 1935. Pp. 766. $1.)

FISHER, W. E. *Production and distribution costs and sales realization of deep, commercial mines in Divisions I, II and III of the bituminous coal industry, November, 1933, to June, 1934.* (Philadelphia: Univ. of Pennsylvania. 1935. Pp. 45. $1.)

GARSIDE, A. H. *Cotton goes to market: a graphic description of a great industry.* (New York: Stokes. 1935. Pp. xx, 411.)

GOLDSTEIN, I. M. *The agriculture problem: is it a temporary crisis?* (New York: Reynal and Hitchcock. 1935. Pp. 268. $4.)

KNIGHT, C. L. *Secular and cyclical movements in the production and price of copper.* (Philadelphia: Univ. of Pennsylvania Press. 1935. Pp. xiii, 153.)

NEELY, W. C. *The agricultural fair.* Stud. in the hist. of American agric., II. (New York: Columbia Univ. Press. 1935. Pp. 313.)

PINEAU, L., and others. *Le pétrole et son économie.* (Paris: Lib. Technique et Economique. 1935. Pp. 220. 30 fr.)

ROWE, H. B. *Tobacco under the AAA.* (Washington: Brookings Inst. 1935. Pp. 330. $2.50.)

SALTER, L. A., JR., and DARLING, H. D. *Part-time farming in Connecticut: a socio-economic study of the lower Naugatuck Valley.* Bull. 204. (Storrs: Connecticut State Coll. 1935. Pp. 79.)

SCHULTZ, T. W. *Vanishing farm markets and our world trade.* Pamph. no. 11. (Boston: World Peace Foundation. 1935. Pp. 41. 50c.)

WILLCOX, O. W. *Nations can live at home.* (New York: Norton. 1935. Pp. xi, 279. $2.75.)

Compilation of Agricultural Adjustment act as amended and acts relating thereto, as of August 27, 1935. (Washington: Supt. Docs. 1935. Pp. 90. 10c.)

Anuario estadístico de las producciones agrícolas: año 1933 y 1934 para los agrios y el olivo. (Madrid: Ministerio de Agricultura. 1934. Pp. 371.)

Handbook of economic information on the use of farm credit. (Washington: Supt. Docs. 1935. Pp. 31.)

Income from farm production in the United States, 1934. (Washington: Supt. Docs. 1935. Pp. mimeographed.)

International problems of agriculture. (Rome: Internat. Inst. of Agric. 1935. Pp. 80.)

Discussions at the twelfth meeting of the General Assembly of the International Institute of Agriculture, October 22-27, 1934.

Land utilization in Minnesota: a state program for the cut-over lands. Final report of the Committee on Land Utilization. (Minneapolis: Univ. of Minnesota Press. 1934. Pp. xiv, 289. $1.50.)

Minnesota, in common with other forested states, enjoyed a brief prosperity while lumbering was in its prime. In spite of the large areas of submarginal land, it was taken for granted that "farms would follow forests" and that after a short interval new industries, population and taxable wealth would replace those associated with the timber. The decline in population growth, "surplus" in agriculture with actual recession of the frontier in the cut-over areas shattered this hope; the tax base disappeared and tax delinquency and the new public domain of tax reverted lands appeared. The realization of these problems has led to stock-taking in many of the cut-over states. *Land Utilization in Minnesota* is such an inventory, as well as a program for the future. It is the final report of the Committee on Land Utilization appointed by Governor Floyd B. Olson in 1932. In the preparation of the report the committee had the generous assistance of the staff of the University of Minnesota and the Lake States Forest Experiment Station.

The report covers the physical factors which are the basis of the land uses of the state and reviews the present situation in regard to agriculture, forestry, recreation and the mineral industry. Past federal and state land policies are reviewed and their social and economic consequences pointed out: namely, forest devastation, over-expansion of agriculture, low standard of living of settlers, scattered settlement, inadequate social institutions, tax delinquency, and excessive governmental burdens on localities and the state as a whole.

Future land uses are based upon forecasts of population for the United States and Minnesota. It is estimated that the state's population may become stationary at three million with no particular increase in the northern cut-over counties. About one-half a million acres of additional agricultural land will take care of this increased population. Other uses must be found for the remainder of the cut-over counties, *i.e.*, forests and recreation for which there is a real demand. The Committee also considered the water and mineral resources of the state.

Land utilization, taxation and local government cannot be separated, and the report presents an excellent analysis of this problem. There is a thorough discussion of the Minnesota system of taxation and local government, particularly with reference to the inter-relations with the state. One is impressed by the fact that local governments and local interests are powerful factors in

shaping land uses and policies in order to preserve themselves. The report outlines a program for future land uses. Land classification by five areas with recommendations for the utilizations within each area, zoning under the auspices of permanent state and county land-use committees and simplification of local governments are among the main lines of action suggested. The report is a comprehensive statement of the problems arising in the cut-over areas and of the plans and program for their solution.

GEORGE S. WEHRWEIN

Minerals yearbook, 1935. (Washington: Supt. Docs. 1935. Pp. 1200. $2.)

Miscellaneous papers in agricultural economics. Vol. VII. *1931-1934.* (New York: Oxford Univ. Press. 1934.)

National Fertilizer Association: proceedings of the eleventh annual convention held at White Sulphur Springs, West Virginia, June 10-12, 1935. (Washington: Nat. Fertilizer Assoc. 1935. Pp. 210.)

National pulp and paper requirements in relation to forest conservation. 74th Cong., 1st sess., Senate doc. 115. (Washington: Supt. Docs. 1935. Pp. 74. 10c.)

Petroleum development and technology, 1935. Papers and discussions presented before the Petroleum Division at Tulsa, Oklahoma, October 12-13, 1934, and at New York, February 18-21, 1935. (New York: Am. Inst. of Mining and Metallurgical Engineers. 1935. Pp. 554.)

Proceedings of the third international conference of agricultural economists held at Bad Eilsen, Germany, August 26 to September 2, 1934. (London: Oxford Univ. Press. 1935. Pp. xi, 498. $6.)

A collection of papers presented by speakers who were largely economists and representatives of academic societies and not governmental delegates. The volume is therefore less imbued with political bias.

"The third International Conference of Agricultural Economists, held at Bad Eilsen, Germany, at the end of August, 1934, had several features of particular interest. Chief among these, however, in the minds of those who took part, was the free and unprejudiced manner in which the Conference discussed problems which have in recent years caused acute disagreement among nations, such as the protection of a nation's agriculture in face of the depression in agricultural importing countries, international debt and monetary problems, and the development of regional trade agreements. The success of the Third Conference in this respect was all the more gratifying since the program was designed to deal exclusively with matters of national and international policy" (preface).

Tres estudios económicos: apéndice al anuario estadístico de las producciones agrícolas, año 1933. (Madrid: Ministerio de Agricultura. 1934. Pp. 196.)

What the AAA amendments will do to help farmers: being a detailed explanation of the meaning and effect of the amendments as approved by the Committee on Agriculture of the United States House of Representatives. (Washington: Nat. Coöp. Milk Producers' Fed. 1935. Pp. 46.)

Wheat studies. Vol. xi, no. 10. *International wheat policy and planning.* Vol. xii, no. 1. *World wheat survey and outlook, September, 1935.* (Stanford Univ., Calif.: 1935. Pp. 359-404; 1-34. 75c.; 50c.)

The world agricultural situation in 1933-34: economic commentary on the international yearbook of agricultural statistics for 1933-34. (Rome: Internat. Inst. of Agriculture. 1935. Pp. viii, 502.)

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Manufacturing Industries

NEW BOOKS

BATTAGLIA, M. *L'industria del vetro in Italia.* (Rome: Soc. Ed. "Novissima." 1935. Pp. 341. L.35.)

In this work, Dr. Battaglia makes a comprehensive analysis of the Italian glass industry. The first part, which is brief, describes the origin and development of the art of glass making. There is offered in this part a classification of glass products in which the main headings indicate methods of manufacture and subheadings the nature of the goods made, with parenthetical listings of specific products. The second part treats of the development of the industry in Italy, the availability of the necessary raw materials, tariff and transportation problems, economic importance, and foreign commerce in glass. The major part of the study is found in the third part, and consists of a detailed study of the various branches of the industry in Italy. Much of this merely describes methods of manufacture, but there are also ample data concerning volume of production, numbers employed, value and destination of exports, and value and source of imports. Part 4 deals with labor relations, and includes three collective agreements made in 1934. There are two appendices summarizing in tabular form Italian import duties on glass and freight rates charged by the state railroads on glass and its raw materials.

The study is frankly neo-mercantilistic in character. Its object is to advance Italian self-sufficiency in glass. The capacity of Italian glass works to produce imported products is analyzed, the reasons for continued imports noted, and collective efforts, including state action, to remedy the situation are described. Tariff and other protection are found inadequate, but, happily, increasing. New discoveries and technological developments give promise of a great measure of national self-sufficiency in basic raw materials. Internal and external obstacles to exportation persist, unfortunately, but their effectiveness may be reduced by proper measures.

There is no recognition, not to say discussion, of the effects of national self-sufficiency in glass on other Italian industries. A study of those effects would be valuable even from a purely neo-mercantilistic point of view, and would be of considerably more interest to the economist than lengthy descriptions of technical processes.

DOMENICO GAGLIARDO

COPELAND, M. T. and TURNER, W. H. *Production and distribution of silk and rayon broad goods.* (New York: Nat. Fed. of Textiles, 10 E. 40th St. 1935. Pp. 109. $2.)

CREAMER, D. B. *Is industry decentralizing?* Study of population redistrib. bull. no. 3. (Philadelphia: University of Pennsylvania Press. 1935. Pp. xii, 105. $1.)

FONG, H. D. *Rural weaving and the merchant employers in a North China district.* Bull. no. 7. (Tientsin: Nankai Inst. of Econ. 1935. Pp. 80.)

HOFFMAN, H. *Landwirtschaft und Industrie in Württemberg insbesondere im Industriegebiet der Schwäbischen Alb.* Zum wirtschaftlichen Schicksal Europas, II. Teil, 2. Heft. (Berlin: Junker und Dünnhaupt. 1935. Pp. viii, 168.)

The interrelations between agriculture and industry have long been of great interest to government officials as well as to economists. Dr. Hoffman analyzes these relationships for Württemberg. The peculiar characteristics of the area

under consideration are the existence of a relatively unproductive soil resulting in over-population whose migration to the city is hindered by the system of divided (instead of eldest son) inheritance. All of which leads to supplementary occupations and is further encouraged by the technical skill of the inhabitants. Dr. Hoffman discusses the influence which the customs of land inheritance had upon the development of agriculture and upon the industrialization in the various sections of Württemberg. In Chapter 5 she discusses the decentralization of industry and the attendant problems of the commuter. The number of commuters was about two-and-one-half times as great in 1925 as in 1900, and was equal to about 10 per cent of those employed. In most enterprises a majority of the employees travel less than 10 kilometers to and from work, very few travel farther and most travel 5 kilometers or less. Those who travel only 5 kilometers either walk or use a bicycle or street car; those who travel farther use either a train or a bus. The passenger automobile is not used extensively enough to be mentioned. Chapter 6 is devoted to supplementary earning power of both those whose primary occupation is work in industry and those whose primary occupation is agriculture. The history of some businesses and business leaders is given in greater detail. KARL R. BOPP

MANCHESTER, H. *The Diamond Match Company: a century of service, of progress, and of growth, 1835-1935.* (New York: Diamond Match Co. 1935. Pp. 108.)

PETERSON, A. L. *A survey of the shoe industry in New Hampshire.* Women's Bur., bull. no. 121. (Washington: Supt. Docs. 1935. Pp. 105.)

PIRTLE, J. W. *Industrialize Texas: plan originated and outlined in 1920.* (Dallas: Tardy Pub. Co. 1935. Pp. 299.)

REICHERT, J. W. *Standorts und Verkehrsfragen der westeuropäischen Eisenindustrien.* Verkehrswissenschaftliche Forschungen aus dem Verkehrs Seminar an der westf. Wilhelms-Universität zu Münster i. W., Heft 5. (Jena: Fischer. 1935. Pp. 36. RM. 0.90.)

ROOSEVELT, F. D. *Cotton textile industry.* Message from the President of the United States transmitting a report on the conditions and problems of the cotton textile industry, made by the Cabinet committee appointed by him. 74th Cong., 1st sess., Senate doc. no. 126. (Washington: Supt. Docs. 1935. Pp. 154.)

SCHENKE, E. M. *The manufacture of hosiery and its problems.* (New York: Nat. Assoc. of Hosiery Manuf. 1935. Pp. 94.)

Automobile facts and figures. 1935 ed. (New York: Automobile Manuf. Assoc. 1935. Pp. 96.)

Textile industries. Part 2. *The cotton textile industry.* Part 4. *The silk and rayon textile industry.* Part 5. *Thread, cordage, and twine industries.* (Washington: Federal Trade Commission. 1935.)

Transportation and Communication

The Interstate Commerce Commission: A Study in Administrative Law and Procedure. Part III, Volume A. By I. L. SHARFMAN. (New York: Commonwealth Fund. 1935. Pp. 684. $4.50.)

In the first two parts of this comprehensive study the legislative basis of the Interstate Commerce Commission's authority and the jurisdiction which

it exercised were surveyed.[1] Part III deals directly with the character of the Commission's activities. This appraisal takes up two volumes: Volume A, which is under review, contains a general description of the Commission's activities, an analysis of the valuation problem, and a study of the control of railroad organization and finance as exercised by the Commission since the passage of the Transportation act of 1920.

Volume B, which is to be published in the near future, will be devoted to the Commission's accomplishments in the field of rate regulation and rate adjustments in the light of the general level of rates and rate relationships. In Part IV, the last volume of the series, a discussion of the Commission's organization and procedure is contemplated.

Professor Sharfman reviews in a very thorough and concise manner the extent and diversity of the Commission's tasks. He traces the development of the work from the beginning when in 1888 the Commission's budget was $113,000 to the year 1930 when the Commission's expenditures amounted to $8,124,000. The personnel grew from an initial office force of 11 to a total of approximately 2,000 in recent years.

One of the largest tasks, if not the largest, assigned to the Commission was the valuation project which required the Commission to find and report the value of each single carrier-property in the country. Although the Commission had frequently recommended to Congress that a valuation of the railroad property be authorized which might be used in rate-making proceedings, neither the Commission nor Congress appreciated fully in 1913 when the Valuation act was passed how stupendous the undertaking was to be. It involved a search of all records and accounts which might throw light on what the original cost was, and an inventory of the property in existence and what it would cost to reproduce it in its present condition. How the Commission accomplished this task is reviewed in great detail accompanied by copious citations of Commission reports and Court decisions.

Professor Sharfman interprets the results of these valuation inquiries in the light of both legal and economic principles. Viewed in its entirety the Commission's valuation procedure and accomplishments receive his hearty commendation. Nevertheless, he is critical of the way in which the Commission treated the injunction to report the original cost of the carrier-property. He is unwilling, and I think rightly so, to accept the Commission's explanation for refusing to reach conclusions regarding original cost on the ground that it would have to be based on estimates. It is difficult to understand why the Commission claimed it could not rest original cost figures upon estimates when at the same time it ascertained reproduction cost figures which were premised entirely on estimates of labor cost, prices and many other factors.

The author is even more critical of the Commission's failure to make

[1] Part I was reviewed in the *American Economic Review*, Dec., 1931, pp. 741-3; Part II, Dec., 1932, pp. 722-4.

adequate disposition of the claims for intangibles as a part of the final value figure. No separate amount in any of the valuations was reported as representing going value. He holds that it would have been much better "if the Commission had determined each value factor separately, instead of merging the estimate of the intangible elements in the larger exercise of judgment by which all the factors were combined." The Commission's main defense against such a criticism is that it had to make its findings with respect to single-sum values in accordance with the Smythe *v.* Ames rule. What we need, says Professor Sharfman, is a clarification of the principles of valuation by Congress in a rule or formula which would be free from all uncertainties and ambiguities. Lawyers and economists in general agree with this point of view.

The Commission's policies in matters of organization and finance have been criticized in many quarters. In passing upon them we must bear in mind that the Transportation act of 1920 required the Commission to make affirmative provision for the revenue needs of the carriers. And on the physical side all changes in the railroad net had to be made under Commission guidance and in the public interest. In facing all of these problems the Commission never lost sight of the fact that it was an agency of Congress and had to determine for itself in each case what the legislative intent was. Realizing what has happened to the railroad industry during the depression it may now be said that the Commission should in the earlier years have applied pressure upon the railroads to reduce their indebtedness.

The power to pass upon security issues afforded the Commission, in the opinion of Professor Sharfman, the greatest opportunity to influence railroad policies. The Commission through its power to regulate security issues induced the carriers to adopt financial policies, so far as new financing was concerned, which were in support of the public interest. The recent legislation by Congress respecting regulation and control of industries which have been regarded as competitive in character, should lend aid and support to the theory that regulation and control should be applied in a vigorous and constructive manner to the railroads which are clearly monopolistic in character.

Professor Sharfman's analysis and appraisal of the Commission's accomplishments in the field of valuation and of financial control of railroads has been done in a brilliant, thorough, and wholly satisfactory manner. To lawyers and economists the work will be of abiding interest. Members of the Commission and of the Commission's staff will also profit in studying this review of the Commission's accomplishments. It can be predicted without question that the next volume dealing with rate regulation will be equally, if not more, noteworthy.

Henry R. Trumbower

University of Wisconsin

NEW BOOKS

Bouché, M. H. *Economics of air transport in Europe.* Report submitted to the League of Nations special subcommittee to study the question of the constitution and operation of a main network of permanent air routes. (Geneva: League of Nations. New York: World Peace Foundation. 1935. Pp. 73. 90c.)

Dewey, R. L. *The long and short haul principle of rate regulation.* (Columbus: Ohio State Univ. Press. 1935. Pp. ix, 287. $2.50.)

Dr. Dewey's excellent monograph contains first, a statement of the general problem of Section 4, Rate-making, including a discussion of the arguments for and against the railroad practice of charging more for shorter than for longer hauls; then follows a congressional history of Section 4 and its amendment; and, lastly, the author deals in detail with the policy and accomplishments of the Interstate Commerce Commission in its administration of the varying provisions of the law. Especially noteworthy is the analysis of territorial and commodity rate controversies since 1920 related to Section 4. The study is well organized and clear, in spite of the difficulties which confront any writer who attempts to master the multitude of cases in which Commission policies are expressed. The author commends the Interstate Commerce Commission for its success in relieving an intolerable situation, but asserts also that practical considerations of competition still justify long-and-short haul discrimination, provided that it is subject to public control. On the whole this is a more moderate conclusion than Dr. Dewey leads his readers to expect; but, after all, unqualified condemnation of complicated policies is sometimes easier than it is wise.

The author does not mention one argument against long-and-short haul rate-making which should have weight. This argument emphasizes the danger to which a railroad is exposed when it encourages the development of industry precisely at those places where the railroad's hold upon resultant traffic is least secure. Transcontinental rail carriers have done precisely this in their quick recognition of the presence of water competition at tidewater cities on the Pacific Coast. Because they have helped to develop the coastal cities the railroads have suffered more from violent fluctuations in intercoastal water rates than they would have suffered if their policy had been to play the interior against the coast. There are thoughtful traffic men in the West who understand the risks of the traditional policy, although they have seldom been in a position publicly to advocate a change.

Stuart Daggett

Duncan, C. S. *Highway competition.* (Washington: Assoc. of American Railroads. 1935. Pp. 14.)

Gates, P. W. *The Illinois Central Railroad and its colonization work.* (Cambridge: Harvard Univ. Press. 1934. Pp. xiii, 374. $4.)

The author's original intention was to limit his study to the land policies and colonization activities of the Illinois Central Railroad. An adequate discussion of these, however, seemed to necessitate a discussion of the land grant and of the financial history of the road; and consequently nearly a third of the book is devoted to this background study. Since the history of the Illinois Central Railroad had already been written by W. K. Ackerman, H. G. Brownson, and others, this part of the book adds but little to our knowledge, though the author has been able to correct some misstatements of earlier writers and to incorporate later findings.

That part of the volume which deals with the colonization work has broken

new ground and presents a clear picture of a unique phenomenon which probably has no counterpart in any other continent, though it is exhibited by other railroads in the United States and Canada to which grants of public lands were given. So important and valuable were the lands donated to the Illinois Central that at times the financial returns from their sale exceeded the revenues derived from transportation and placed the land department on a par with the traffic department.

After several introductory chapters on the geography of the state, the first railroad land grant, the struggle for the charter, early financial difficulties, and actual construction, the author attacks the real subject of his study. Even here, however, he again finds it necessary to clear the ground by two further introductory chapters on land speculation and town-site promotion, after which he takes up the land department of the Illinois Central and its policies. The work of colonization involved results that could not have been foreseen and that were important for the railroad and for the state. In order to sell the lands obtained by the railroad in its grant it was necessary to organize a huge advertising campaign, proclaiming the advantages of the "Garden State of the West." As this proved insufficient, emissaries were next sent to Europe to stimulate immigration; and a competition for these immigrants was carried on with other agencies. More successful were the efforts to bring settlers into Illinois from other parts of the United States. Between 1854 and 1905 the railroad made about 4,500 individual sales of land, which absorbed practically all of the 2,500,000 acres it owned in the state.

Incidental to its work in attracting settlers, but quite as important, was the encouragement of agriculture which was carried on by the Illinois Central. Agricultural fairs were promoted, cotton and fruit production was introduced into the southern part of the state, crop diversification was preached, labor saving machinery was brought in, and large-scale farming encouraged. The activities of the railroad in popularizing the state, stimulating immigration, aiding agriculture, and developing markets, together with other factors operating during this period, led to a great expansion of production, which by 1860 made Illinois the leading state in wheat and corn production and by 1870 in hog production.

This volume is more than a study of railroad colonization work; it is almost an economic history of Illinois for the period covered. It is based on careful and thorough research, not merely of library material, but of the original archives of the Illinois Central Railroad.

E. L. Bogart

Hunter, H. C. *How England got its merchant marine, 1066-1776.* (New York: Nat. Council of American Shipbuilders. 1935. Pp. xi, 369. $3.50.)

Mundy, F. W., editor. *Mundy's earning power of railroads, 1935.* 30th issue. (New York: Jas. H. Oliphant. 1935. Pp. 745.)

William, H. G. *Motor freight rates and rules: a study in the construction of motor freight rates and rules for standard motor freight carriers.* (New York: Bonnell Pubs. 1935. Pp. 128.)

Inland Waterways Corporation: annual report for the calendar year 1934. (Washington: Supt. Docs. 1935. Pp. 37. 5c.)

Merchant marine statistics, 1934. (Washington: Supt. Docs. 1935. Pp. 117. 10c.)

Statistics of railways of Class I: United States (1926-1934). Stat. summary no.

18. (Washington: Bur. of Ry. Econ. of the Assoc. of American Railroads. 1935. Sheets, 12.)

Tax-paying and tax-spending transportation: a study in contrast. (Washington: Assoc. of American Railroads. 1935. Pp. 23.)

Water-borne foreign commerce of the United States by ports of origin and destination, fiscal year 1933: a report. (Washington: Supt. Docs. 1935. Pp. 284. $1.25.)

Trade, Commerce, and Commercial Crises

The New Deal and Foreign Trade. By ALONZO E. TAYLOR. (New York: Macmillan. 1935. Pp. xii, 301. $3.00.)

This volume is a criticism of the foreign trade policy advocated by the present Secretary of Agriculture as expressed in his works *America Must Choose* and *New Frontiers* and his article on "American Agriculture and World Markets." The author assumes that the Secretary voices the views of the Administration, and hence the policy advocated is part of what is known as "The New Deal." This policy aims to correct two major facts in our economy which have developed as a result of the World War, and which are incompatible. The United States has "become a net creditor country (disregarding all war debts), to the extent of more than the equivalent of ten billion dollars." This situation would necessarily enforce the maintenance of a passive or negative (miscalled "unfavorable") balance of merchandise trade. As a consequence, however, of the country's resources and the natural genius of its people it is a heavy exporter of farm products, industrial raw materials and manufactures. If we follow our nationalistic bent toward self-containment, it will be necessary to contract agriculture to a disastrous extent. If we embark on a new route toward internationalism, a great contraction of urban industries would result, causing widespread unemployment. Secretary Wallace thus proposes through tariff regulation a middle-of-the-road compromise which on the one hand entails a contraction of some 25 million acres of fertile land in harvested crops, and on the other, an increase in the import of other goods of approximately half-a-billion dollars in value.

The author in attacking this proposed policy enters into an elaborate analysis of the factors determining international commerce. He finds that from the standpoint of organization the "planned middle course" lacks in part the incentives and objectives of nationalism and internationalism, respectively. It is "likely to be regarded as a compromise without definitive features or attractions." Furthermore the author finds the inherent weakness of the "planned middle course" is in its being only a tariff policy with adjustments and organization appropriate thereto. According to the author the attempt to determine the trade of the United States by bilateral negotiations on tariffs "is beginning at the small end of the problem." The cart is

placed in front of the horse. Money stabilization must first be achieved in order that the trader may know the future value of the dollar in terms of other currencies.

The book is a noteworthy contribution to the current literature on the New Deal. While much of the criticism directed at the trade policy advocated by Secretary Wallace is in the judgment of the reviewer sound, exception may be taken to at least some of the author's statements. In discussing the bilateral trade agreements entered into by the United States, one is led to infer that triangular and multi-angular commercial movements are ignored. It has, however, been a definite objective of the State Department not only to foster trade between the United States and each contracting nation but also between the contracting parties and other nations. The most-favored-nation principle is an avowed one on the part of the American government under the Reciprocal Trade Agreements act of 1934. While much is to be said in favor of the author's contention that monetary stabilization is essential to the determination of any sound trade policy, our present monetary demoralization is itself an effect of the persistence of a restrictive trade policy which ignored the changed international relationships brought about by the war. Secretary Wallace may have given undue emphasis to tariff measures as a remedial agency in the present situation, but fundamentally commercial restrictions in the form of high tariffs, quotas, and the like, were a potent factor in bringing about both a commercial and a monetary collapse.

ABRAHAM BERGLUND

University of Virginia

Maritime Trade of Western United States. By ELIOT G. MEARS. (Stanford University, Calif.: Stanford Univ. Press. 1935. Pp. xvii, 538. $4.00.)

This work is a careful and detailed analysis of the maritime trade of that part of the United States bordering on the Pacific Ocean and its interior tributary areas. The territory constituting this "Western sea empire" includes the Pacific Coast states of California, Oregon, and Washington, with the non-contiguous territories of Hawaii and Alaska. To this littoral are added the tributary states of Montana, Idaho, Wyoming, Utah, Nevada, Colorado, New Mexico and Arizona. American Samoa, Guam, and the Philippines are excluded, as their industrial and commercial relationships "are aligned with the Orient rather than with the Western Hemisphere." The general treatment of the subject includes the geographical and historical background of the maritime commerce of the Pacific, certain statistical considerations, coast ports and services, regional trades, passenger and other non-commodity traffic, shipping conferences, shipping subsidies, and a résumé, conclusions and forecast. Throughout the book the author em-

phasizes the growing importance of the shipping and trade position of the area discussed. Between the years 1913 and 1929 the foreign commerce of the Pacific states more than trebled, while that of the whole United States increased only about 125 per cent, and the international world trade, about 65 per cent.

Some of the noteworthy features of the work are the author's treatment of the effects of the Panama Canal, especially in the development of the inter-coastal trade and the trade between the American Pacific ports and western Europe; a brief but fine discussion of the pitfalls in shipping statistics; and an analysis of the ocean traffic with the Far East. He points out the significance of the development of the oil, timber and agricultural resources of the Pacific Coast states in this commerce, going into some detail regarding such matters as climate and available raw materials. From a shipping point of view he states that it is unfortunate that such a large part of the maritime commerce of the Pacific States is unbalanced. In the case of the cargo movement between the Pacific Coast of the United States and northwestern Europe this lack of balance means that every three cargo ships sailing to Europe with holds filled must divide among them on the return trip an amount of freight not large enough to fill to the load line even one of the three (page 443).

With respect to shipping policy the author states, "As long as the United States adheres to her policies of protecting private shipyards and maintaining a high standard of seamen's wages and conditions . . . then some kind of substantial subsidy is needed to keep the merchant marine on the long sea trades." This view of the principal handicaps of American merchant marine development in competition with foreign shipping is a popular one. But it should be pointed out that wage differences between American seamen and those of England and the Netherlands are much less than those between the latter and Italian and Japanese seamen. Furthermore, shipbuilding costs in western Europe have been materially reduced by standardization and mass production in much the same way that manufacturing costs in the United States have been by the same general process.

ABRAHAM BERGLUND

University of Virginia

NEW BOOKS

FORSTMANN, A. *Der Kampf um den internationalen Handel.* (Berlin: Max Paschke. 1935. Pp. xii, 415. RM. 14.)

HAIGHT, F. A. *French import quotas: a new instrument of commercial policy.* (London: P. S. King. 1935. Pp. xi, 131. 7s. 6d.)

This volume, published by the London School of Economics and Political Science as No. 6 in the series "Studies in Economics and Commerce," represents one of the few attempts by economists to evaluate import quotas as an instrument of commerical policy. Convinced that import quotas, adopted by some 26

countries as emergency measures during the past five years, have assumed a permanent place in customs legislation, Mr. Haight has undertaken to analyze the French system "which has been developed to a high degree of perfection," as typical of such schemes. His inquiry includes a detailed and comprehensive description of the different types of quotas and their administrative regulations; a statistical analysis of their effect on domestic and foreign trade and the internal price level; and a discussion of the implications of their use as bargaining weapons in bilateral agreements for the purposes of trade expansion and direction.

The book is closely packed with statistical and factual data and the subject is developed against the background of French tariff history in which connection one misses reference to the exhaustive work of M. Edgard Allix. From a theoretical standpoint, Mr. Haight is primarily interested in the effect of import quotas on internal price levels rather than in import quotas as a technique *par excellence* of administrative protectionism. Although he does not add anything particularly new in his theoretical interpretation, he makes clear a point often misunderstood by its propagandists who have argued that limitation of imports by quantity rather than by price has less influence on the price level. The difference between the lower external price and the higher internal price, he takes care to explain, is absorbed by the importer or exporter's agent without benefit to the consumer.

Of rather particular interest, partly because they are less well understood, is the discussion of negotiated quotas, *les contingentements amiables,* which he characterizes as "an attempt to elaborate an international economy organized by contractual regulation of competition"—a policy consistently advocated by France in the various international economic conferences. The inclusion of the British material on this subject brings to light important evidence of the cooperation of the British trade organizations with the consent of the British government—a function which American trade organizations with few exceptions have been unable to perform to the detriment of American export trade.

In his summary estimate on import quotas in general, the author concludes that, whereas they have succeeded in defending currencies and national price levels, "it is probable that these objects could have been attained by less harmful measures" such as deflation or devaluation, accompanied by tariffs "which permit goods to flow if prices can be sufficiently altered." In his final sentence he accredits the import quota with having played a leading rôle in the evolution from a "comparatively liberal era to one of intense nationalism." A devotee of economic liberalism, Mr. Haight fails at times to make clear whether his criticism of import quotas refers to their failure as a desirable technique or to the end which they have been made to serve, a regulated foreign trade, which is antipathetic to him. Although he realizes that in 1931 neither the present devaluation policy nor deflation could have been a political possibility, he feels that it might have been better "had France resigned herself to the necessity of financing a large surplus of imports for several years, trying at the same time to keep in step with the rest of the world economically," rather than to the erection of such a trade barrier.

Mr. Haight's study is of prime importance not only because of its contribution to the field of international trade but because of its recognition of the permanence, at least for the near future, of a new commercial diplomacy which of necessity requires new techniques and tools.

ETHEL B. DIETRICH

HECKSCHER, E. F. *Mercantilism.* Vols. I and II. Translated by MENDEL SHAPIRO. (New York: Macmillan. 1935. Pp. 472; 419. $15, the set.)

HORN, P. V. *International trade: principles and practices.* (New York: Prentice-Hall. 1935. Pp. xxiv, 723. $5.)

This book is encyclopedic in scope, covering the history and theory of foreign trade, economic geography, commercial policy, international finance, foreign exchange, ocean transportation and practical exporting. A single chapter at the end of the book discusses the business aspects of importing. In classifying, cataloging and describing, the author has been indefatigable but he has shown little evidence of interest in the "why" of institutions or of policies. He has constructed a systematic textbook, bringing together in conveniently accessible form pertinent information on all aspects of international trade. Had the scheme of the book been less ambitious the treatment of important topics might have been more satisfying. Some of the infrequent generalizations would hardly meet with universal assent by students of foreign trade problems, *e.g.*, p. 363, "The emigration of American industries has without doubt adversely affected our domestic economic situation." Little attention has been given to style and the book is evidently not designed to appeal to general readers.

P. W. BIDWELL

KNIGHT, C. L. *Secular and cyclical movements in the production and price of copper.* (Philadelphia: Univ. of Pennsylvania Press. 1935. Pp. xiii, 153. $2.)

This short work analyzes the secular and cyclical movements of copper production and of copper prices in the various countries with the view of testing out ten hypotheses listed in Chapter I. The discussion proper begins with a statistical description of copper production since 1860. Although the trend was upward during this period, the increase was at a decreasing rate due to the exhaustion of some ore deposits and to the fact that every mine sooner or later arrives at a point of diminishing returns. In the copper industry, low-cost mines tend to become high-cost mines so that in the absence of a price rise production can be expected to cease in such mines. However, the increased use of copper prevented the occurrence of a delining trend in prices during the period studied so that many of the high-cost mines were able to continue producing in spite of their mounting unit costs.

A more detailed study of the production statistics revealed 77 cycles (in all countries), the average duration being 5.4 years. It was noted that there was a tendency for the duration of these cycles to increase in recent years. No such tendency was present in the *price* cycles. The author suggests that the increasing length of the production cycles may be due to the facts that (1) variations in any one locality become relatively less important as the total comes to represent the combined output of a number of regions and (2) the large-scale production methods adopted by the industry have so altered the proportion of varied and fixed costs that it is no longer advisable for a mine to curtail production when prices decline. Consequently production tends to expand independently of price changes.

This growing inelasticity of supply would naturally make prices very sensitive to changes in demand. Since demand is dependent upon general business activity, it is suggested that the decreasing duration of the price cycle may be explained by the decreasing duration of cycles in general business activity. Copper price cycles were found to correlate closer to the cycles of business activity in copper-deficit countries than to those in copper-surplus countries.

In his introduction the author expresses the belief that studies of this sort will lead to a better understanding of the nature and cause of general business cycles. To the reviewer the chief contribution of the work lies not so much in the light which it has thrown on the probable causes of the business cycle as in its interesting and clear exposition of how economic forces in an industry have governed production and set prices.

WILFORD J. EITEMAN

KRETSCHMANN, J. G. *Il problema del trend secolare nelle fluttuazioni dei prezzi.* (Padua: Treves. 1935. Pp. 173.)

MACFIE, A. L. *Theories of the trade cycle.* (London: Macmillan. 1934. Pp. ix, 198. 7s. 6d.)

Mr. MacFie has written a thoughtful book, which should prove of great aid to students of business-cycle theory. He confines his attention to works which have been published in Great Britain, but this is not a serious limitation.

Brief attention is given to "real" causes of rhythm, in the form of variations in weather and in the rate of inventions, after which Mr. Hawtrey's monetary theory is developed and criticized. A more thorough and a most stimulating discussion, occupying nearly half the book, is then devoted to the views of Hayek, Keynes and Robertson. Next comes a brief but illuminating analysis of Mr. Hobson's underconsumption theory, followed by a more elaborate discussion of Pigou's psychological explanation.

Mr. MacFie's exposition of these various views is clear, vivid, and in most respects adequate. Skillful direction of attention to fundamentals, with emphasis on the implications and limitations of the various doctrines, make the book far more than a sterile elaboration of current theories.

The book closes with a summary chapter in which Mr. MacFie plays the part of eclectic, welding together into a synthesis what he believes to be the valid elements in the views earlier discussed. His general position of eclecticism is well expressed in a passage which will bear repetition: ". . . the clash of rival theories is to a regrettable extent somewhat of a Tweedledum and Tweedledee sham fight attributable to the ineradicable pugnacity even of academic economists. It should be discounted. The problem is rather properly to combine their positive contributions."

P. T. ELLSWORTH

NEWMAN, W. H. *The building industry and business cycles.* (Chicago: Univ. of Chicago Press. 1935. Pp. ix, 73. $1.)

This monograph contains the essential portions and conclusions of a doctoral dissertation of the same title. The work is limited to a study of the activities of individuals or private enterprises in providing buildings for shelter purposes, *i.e.*, the *private* building industry. Its conclusions are drawn from comparisons of an index of private building developed by the author and general business-cycle data. For example, his index anticipated changes in the direction of business-cycle indices; but the variances in amplitude and in the amount of lead and lag caused him to conclude that private building is not always a dominating element in the business cycle.

Changes in building costs were found to be a result rather than a cause of changes in building activity. The ease or difficulty of borrowing long-term money has been an important factor in determining minor cycles in building

activity but, as the author points out, "ease" and "difficulty" refers to the *availability* of funds at the standard rate and not to changes in the rate of interest.

The most important factor in building activity probably is population shifts. A small shift in population often gives rise to a great amount of local building even though the aggregate supply of buildings is quite ample to house the entire population. Location is as important as number in such a case.

Changes in demand as revealed in rental rates and vacancies has had small influence on building activity except at the close of depressions. This failure to respond to changes in demand is partially explained by the imperfect nature of the market. The incomparable nature of rents, inadequate information about vacancies, and the uncertainty of concurrent action by other individuals responding to the same meager data all tend towards periodic over-expansion and over-contraction in the industry.

WILFORD J. EITEMAN

NURKSE, R. *Internationale Kapitalbewegungen.* (Vienna: Springer. 1935. Pp. x, 248. RM. 7.80.)

OULÈS, F. *Le problème du commerce international.* (Paris: Recueil Sirey. 1934. Pp. xxiii, 483.)

SAYRE, F. B. *Most-favored-nation vs. preferential bargaining.* Address before the U. S. Junior Chamber of Commerce, Columbus, Ohio, June 28, 1935. (Washington: Supt. Docs. 1935. Pp. 13. 5c.)

VAN VLISSINGEN, F. H. F. *Trade in our days.* Doc. no. 2. (Paris: Internat. Chamber of Commerce. 1935. Pp. 46.)

China trade act, 1922, with regulations and forms, edition of 1935, with amendments as of February 26, 1925. (Washington: Supt. Docs. 1935. Pp. 26. 5c.)

Foreign trade and domestic markets. (New York: Am. Manuf. Export Assoc. 1935.)

Reciprocal trade, agreement between the United States of America and Sweden. State Dept., exec. agreement ser. no. 79. (Washington: Supt. Docs. 1935. Pp. 33. 5c.)

Accounting, Business Methods, Investments and the Exchanges

Executive Guidance of Industrial Relations: An Analysis of the Experience of Twenty-five Companies. By C. CANBY BALDERSTON. (Philadelphia: Univ. of Pennsylvania Press. 1935. Pp. x, 435. $3.75.)

The author describes the results of an investigation of 25 companies that have pioneered in the field of labor-capital relations. The companies selected differ in their attitudes toward organized labor, the chief aim of the study being to analyze and explain those plans which have contributed to the solution of employer-employee relations.

The American Rolling Mill Company's labor policy of "fair, and as far as possible generous compensation for service," is the first one studied. The personnel departments, the company's efforts to abolish irregular employ-

ment, the promotion of security through thrift, group insurance, and the payment of pensions, are described. The company's care in the selection of its employees, the attempt of the personnel departments to fit the worker into the job most suitable for his ability and talents, and also the advisory committee which, lacking executive functions, is permitted to advise on wages, operations and working conditions, complete the picture.

The union-management coöperation plan on the Baltimore and Ohio Railroad seeks to eliminate waste and inefficiency and reduce irregularity in employment. This plan was accepted by the machinists and later accepted by all the shop crafts, after the disastrous shopmen's strike in 1922. Committees meet at different shops for the purpose of discussing more efficient methods of work. The plan, of course, also includes the regular methods of bargaining and adjustments of grievances assumed by a union-employee relationship.

One of the most interesting of the plans considered by the author is that of the Columbia Conserve Company, where the employees own 63 per cent of the common stock, and where self-government obtains in every aspect of management. Of especial interest, in this connection, is the recital of the factional strife which almost wrecked the company, solved only by the elimination of the group causing the trouble.

The General Electric Company has one of the most elaborate welfare schemes extant. The most vital part of this plan—the attempt to stabilize employment—is described, and the organization's policies of expanding and contracting its working force, the various devices for utilizing labor in slack periods are given, and the unemployment insurance funds, the bonus plans, and the workers' councils are described.

One of the most interesting chapters in the book is the one dealing with the Hart, Schaffner and Marx plan, in existence since 1912. This plan is based on the coöperation of the Amalgamated Clothing Workers of America and the company. The union has always lent a ready and willing ear to the problems facing the employer, and has been ready to go more than half-way to aid in a solution of his problems. The plan has been fortunate in having the services of two excellent leaders in employer-employee relationship, John E. Williams and James Mullenbach. Through their foresight and fairness these two have been able to evolve a body of judge-made law which has been able to surmount the innumerable difficulties in an industry chronically ill.

The other plans are equally well chosen and excellently described. The book is a valuable addition to the study of personnel work, for it considers the techniques used in various settings of employer-employee relationship. By examining the contributions of plants where unions are recognized, or where labor is virtual owner, as in the Columbia Conserve Company, the author has brought out well the contributions that can be made by inde-

pendent labor acting through its own instrumentalities in coöperation with management. The juxtaposition of these plans with those where company unions function serves to show, to some extent, the differences between these two types of unionism.

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Valorisationen: Eine Studie über Ihre Methoden und Wirkungen. By KURT LANGHAEUSER. (Hamburg: Christians. 1935. Pp. 296.)

Dr. Langhaeuser comprises under valorizations all measures undertaken to bring about an actual or potential rise in the world market price of a given commodity. This definition is wider than the customary one because it includes also measures taken for such purposes by private concerns, not only by governments; it is narrower because of the limitation to *world* market prices, thus excluding all price raising schemes on merely local markets, or on national markets operating behind a tariff wall at higher than world market prices.

The author uses for the development of the subject a scheme of classification of valorization methods in the abstract (regardless of whether the measure has ever been applied in actuality) according to the type of measure it represents: whether by direct manipulation of the price, or of the quantity of product; whether by restriction of production or of export; by what kind of measure; by what kind of agent, governmental, private, or mixed; if governmental, whether the measures are merely administrative, or whether the government enters into risk-taking activities. The peculiar advantages and difficulties of each type are discussed as far as they can be ascertained in such abstract generality. But whenever his classification reaches a type of measure that has been applied in actual practice (most of the important instances have occurred since the World War) the author enters into a complete and detailed discussion of the case in all its manifold concrete ramifications and implications, political, sociological, technological, commercial, and even psychological, the principal instances being the valorization of sugar in Cuba, of cotton in Egypt, of coffee in Brazil, of rubber in the British Empire, of raisins in Greece, and of camphor and silk in Japan.

Some of the major results of the analysis are, in summary, (1) as to the *agent* of the valorization: that on the whole governments are in a better position to render valorizations effective; that, however, where international coöperation is necessary, it seems easier for private concerns to come to an agreement than for governments. Furthermore, that the success of a valorization, if undertaken by a government, should not be gauged exclusively by the advantages to the producers of the commodity in question since governments, supposed to be above group interests, might be planning more diffused benefits among wider groups; but that, where private concerns

undertake the valorization its success or failure is to be seen solely in their own increased or not increased profits. (2) As to the *effectiveness* of valorizations: that a quasi-monopolistic or at least a predominant position in the particular market is an indispensable condition for any possible success of a valorization; that, however, it is easy to deceive oneself as to the strength of this position, since every valorization, by its promise of higher prices, has a tendency to stimulate production in often unexpected quarters, to encourage inventiveness in finding substitute products, and in setting in motion unlimited ingenuity in the circumvention of the restrictive measures. That, to store surplus product is always a doubtful measure, but particularly dangerous in the case of agricultural products because of the utter unforeseeability of the crops. That even where a valorization succeeds in raising the price the beneficiaries are not necessarily those producers who restricted their output, but outsiders who did not restrict or who even expanded theirs.

Finally, adding to this summary an even more sweeping one by the reviewer: that, on the whole, the human brain seems a size or two too small to manipulate with any degree of certainty functions of so many variables. Such, at least, is the impression one gains on contemplating, *e.g.*, the Brazil government, as a final result of best intentioned and elaborately planned valorization efforts, threatened with financial collapse and political upheaval, frantically dumping millions and millions of sacks of coffee into the sea—at great expense, of course—and even then not able to get rid of this Midas treasure, for the coffee comes floating back to the land, filling the air all along the coast with a loathsome, nauseating stench. (One might also think of some similar cases nearer home which, however, occurred too recently to have found a place in this study.)

The investigation seems to be carried out with complete disinterestedness. The combination of the strictly logical arrangement with the wealth of concrete facts is remarkable, even though it gives rise to a somewhat awkward form in the presentation. Graphs and charts to replace or supplement the statistical tables would have greatly enhanced their impressiveness.

JOHN V. SPIELMANS

Chicago, Illinois

NEW BOOKS

ASPLEY, J. C. *Getting the most out of salesmen: a Dartnell manual for the use of sales managers and those in charge of branch and district selling organizations.* (Chicago: Dartnell. 1935. Pp. 211.)

BAKER, H. *Personnel programs in department stores.* (Princeton: Princeton Univ. Industrial Rel. Section. 1935. Pp. 85. $1.50.)

BALDERSTON, C. C., KARABASZ, V. S. and BRECHT, R. P. *Management of an enterprise.* (New York: Prentice-Hall. 1935. Pp. xiv, 470. $5.)

"The purpose of this text is to provide, for students and business executives, a well-balanced treatment of management essentials" (preface). The authors

are members of the teaching staff of the Wharton School. Questions, problems, and cases are given. Chapters deal with product design, standards, incentives, purchasing, controls, and personnel management.

BERNHEIM, A. L. and SCHNEIDER, M. G., editors. *The security markets: findings and recommendations of a special staff of the Twentieth Century Fund.* (New York: Twentieth Century Fund. 1935. Pp. xxi, 865. $5.)

BREWER, J. M., HURLBUT, F. and CASEMAN, J. *Elements of business training.* New ed. (Boston: Ginn. 1935.)

BREWSTER, A. J. and PALMER, H. H. *Introduction to advertising.* 3rd. rev. ed. (New York: McGraw-Hill. 1935. Pp. xv, 476.)

CASSADY, R. J., and OSTLUND, H. J. *The retail distribution structure of the small city.* (Minneapolis: Univ. of Minnesota Press. 1935. Pp. 107. $1.)

The authors of this interesting study have sought to make a detailed qualitative and quantitative measurement of the retail distribution system of a typical small city, Waseca, Minnesota. Recognizing the factors in modern life which have been stimulating a drift of trade to the larger centers, they attempt to determine how far the small city is successful in maintaining its position as a center for retail trade. The method is to define in various ways the retail trading area of Waseca; to accumulate data on the physical facilities used in retailing, on sales volume, costs of operation, and prices; and to register the reactions of consumers living within the area. The efficiency of the Waseca retail plant is gauged by statistical comparisons with results in other areas and by the opinions of consumers. From this evidence the authors conclude that Waseca retailers, and inferentially those in other towns similarly situated, are serving their city in effective fashion.

Most economists will be interested to note, in Table II, how Waseca has almost completely retained the trade of its environs in convenience goods and staples, and how it has yielded to larger centers the major part of its trade in fashion goods. This is in line with the fact disclosed in the 1933 *Census of Distribution,* that cities over 10,000, with 48 per cent of the total population, carry on 70 per cent of the trade of the United States. The fact that the trade which stays at home is mainly in staples, where local merchants can compete effectively, indicates that the small city may be expected to hold its present relative position.

The principal value of this study is the complete picture which it gives of the machinery and process of retail trade in a type of community hitherto not much studied.

ROBERT F. ELDER

CHAPIN, A. F. *Credit and collection principles and practice.* 2nd ed. (New York: McGraw-Hill. 1935. Pp. 648. $4.)

CHASE, S. *Government in business.* (New York: Macmillan. 1935. Pp. 296. $2.)

COLE, G. D. H. *Principles of economic planning.* (New York: Macmillan. 1935. Pp. xxiii, 435.)

COUTANT, F. R. and DOUBMAN, J. R. *Simplified market research.* (Philadelphia: Walther Printing House. 1935. Pp. 152.)

DARLINGTON, G. M. *Office management.* (New York: Ronald. 1935. Pp. x, 203. $2.)

DE ROOVER, R. *Le livre de comptes de Guillaume Ruyelle, changeur à Bruges (1369).* Extrait des *Annales de la Société d' Emulation de Bruges,* tome lxxvii, 1934. (Bruges: Eloi Vercruysse, Vamhove. 1934. Pp. 81.)

If Monsieur De Roover's conjecture that Ruyelle's extensive banking and exchange business ended in financial insolvency is correct, this unhappy event probably was responsible for the preservation of a medieval document of genuine importance. At any rate, Ruyelle's ledger is in the Bruges archives, and from it De Roover has reconstructed an illuminating picture of fourteenth century private finance.

Banker, exchanger, tax-farmer, and loan underwriter, Guillaume Ruyelle, like his contemporary, Collard de Marke, was a real financier in the so-called age of "precapitalism." He received both time and demand deposits, and facilitated the payment of his clients' debts by clearance, either directly, where both debtor and creditor were his customers, or indirectly, by means of running accounts with other bankers. He dealt in bullion and in foreign coins, loaned money, subscribed to municipal loans, and farmed the wine tax. By careful analysis of the ledger, Monsieur De Roover has discovered how all these transactions were conducted; he has also shown how Italian methods of accounting were spreading into the Low Countries. Ruyelle, for example, used a journal (*petit papier*), a ledger (*le grand livre*) and a cash book, and from these he constructed recapitulative statements periodically which showed what he owed and what others owed him. Balance sheets necessarily had to await the invention of double-entry bookkeeping, but these primitive business statements attest the progress which accounting technique had already made in Belgium by the last quarter of the fourteenth century.

E. A. J. Johnson

Diemer, H. *Factory organization and administration.* 5th ed. (New York: McGraw-Hill. 1935. Pp. 426. $4.)

Dodd, E. M., Jr., and Baker, R. J. *Cases on business organizations.* Vol. II. Preliminary pamphlet no. 2. (Chicago: Foundation Press. 1935. Pp. iii, 417-877.)

Elder, R. F. *Fundamentals of industrial marketing.* (New York: McGraw-Hill. 1935. Pp. viii, 317. $3.)

Filipetti, G. and Vaile, R. S. *The economic effects of the NRA: a regional analysis.* (Minneapolis: Univ. of Minnesota Press. 1935. Pp. 108. $1.50.)

Finletter, T. K. *Business associations III.* Part 1. *Cases and materials on the insolvent enterprises.* (New York: Ad Press. 1935. Pp. 262.)

Galloway, G. W., and associates. *Industrial planning under codes.* (New York: Harper. 1935. Pp. xiii, 428. $4.)

Gayer, A. D. *Public works in prosperity and depression.* Prepared for the National Planning Board Federal Emergency Administration of Public Works. (New York: Nat. Bur. of Econ. Research. 1935. Pp. xx, 460. $3.)

Glassmire, S. H. *Law of oil and gas leases and royalties: a practical legal treatise on petroleum rights accruing by virtue of mineral deeds and oil and gas leases.* (St. Louis: Thomas Law Book Co. 1935. Pp. 400.)

Grange, W. J. *Corporation law for officers and directors: a guide to correct procedure.* (New York: Ronald. 1935. Pp. xxx, 904. $6.)

Haring, A. *Retail price cutting and its control by manufacturers.* (New York: Ronald. 1935. Pp. x, 247. $3.50.)

Resale price maintenance, long looked on as killed by the Supreme Court—or at least badly crippled, despite the Colgate and General Electric decisions—has had a surprising legislative renaissance. Ten states, containing 40 per cent of the country's population, have given it sanction—California in 1931, the

others in 1935—while Connecticut has adopted the price provision of the now abandoned retail drug code. An addition to the small library on the subject is, therefore, timely.

Mr. Haring's work contains a great deal of useful information. The analysis of price cutting, based in part on C. T. Murchison's pioneer book, *Resale Price Maintenance,* discloses both its frequent justification in the retailer's cost structure and its injury to competitors and to manufacturers whose products are thus made unprofitable for dealers to handle. After discussing advertising allowances and special concessions, the author concludes that producers so seldom receive value in return that they would do well to abandon their use. There is a chapter on the little known subject of private brands. Court decisions on price maintenance are ably reviewed, current law being expounded rather than the Dick, Bement and other cases long since overruled. The heart of the book is in the six chapters of advice to manufacturers on maintaining prices. The emphasis on the manufacturer should not make the reader forget that the retailer's problem is actually more serious and, as Mr. Haring points out, has led to the current drive for legislation. The discussion of the NRA code provisions on distribution which closes the book is critical in details, but, as has since appeared, over-optimistic in its view of the whole.

Although he opposes the legalizing of resale price contracts, since they deny the consumer the benefit of competition among retailers, Mr. Haring proposes that manufacturers be empowered to stop price-cutting distributors from handling their products. This comes to the same result and clearly places him in the small minority of economists (see p. 194) who favor price maintenance. While he states repeatedly the conflict of interest between consumer and manufacturer, he does not show, and would find it hard to show, how his proposal bridges it. There is much material in this book, but no solution. After all, however, where is a solution to be found?

SIMON N. WHITNEY

HECKERT, J. B. and STONE, I. J. *Wholesale accounting and control.* (New York: McGraw-Hill. 1935. Pp. x, 234.)

HOLTZCLAW, H. F. *The principles of marketing.* (New York: Crowell. 1935. Pp. viii, 694. $3.75.)

ICKES, H. L. *Back to work: the story of PWA.* (New York: Macmillan. 1935. Pp. 276. $2.50.)

This is a history of the PWA up to May, 1935. The several chapters describe the policies concerned with roads, power enterprises, public health, slum clearance, etc.

JAMES, L. K. *Cases and materials on the law of business associations.* Vol. II. (Ann Arbor, Mich.: Edwards. 1935. Pp. 535-1179.)

KELLEY, A. C. *Essentials of accounting.* (New York: American Book. 1935. Pp. 424. $3.)

LION, M. *Umwandlung und Auflosung von Kapitalgesellschaften.* (Berlin: Julius Springer. 1935. Pp. x, 310. RM. 9.90.)

MCKINSEY, J. O. *Financial management: a practical treatise covering the sources and methods of securing capital, cash control, credit control, the relation of bookkeeping and auditing to financial control and reorganization.* Rev. by WILLARD J. GRAHAM. (Chicago: Am. Technical Soc. 1935. Pp. 534.)

MCKINSEY, J. O. and NOBLE, H. S. *Accounting principles.* Rev. ed. (Cincinnati: Southwestern Pub. Co. 1935. Pp. x, 758.)

MANLEY, M. C. and HUNT, M. E. *The business bookshelf: a list based on use.* (Newark: Public Library. 1935. Pp. 75. $2.)

A serviceable bibliography of books relating to business. The lists are classified with brief annotations describing the contents of 374 volumes. In addition there is an author and title index, and also a subject index which used together are a time-saver.

MAGILL, R. F. and HAMILTON, R. P., editors. *Cases on business organization.* Vol. II. (St. Paul: West Pub. Co. 1935. Pp. xxiv, 1349.)

MARSH, L. C. *Employment research: an introduction to the McGill programme of research in the social sciences.* McGill soc. res. ser. no. 1. (New York: Oxford Univ. Press. 1935. Pp. xviii, 344. $3.)

MORTON, E. P. and BENTLEY, B. R. *Business law of contracts and sales by cases.* (Cincinnati: Southwestern Pub. Co. 1935. Pp. 455. $3.25.)

PENROSE, C. *Industrial surveys.* Address before the 18th annual meeting of Pennsylvania State Chamber of Commerce, Harrisburg, January 30, 1935. (Philadelphia: Day and Zimmermann. 1935. Pp. 21.)

PORTER, C. H. and FISKE, W. P. *Accounting.* (New York: Holt. 1935. Pp. xi, 631. $3.75.)

PREINREICH, G. A. D. *The nature of dividends.* (New York: Author, 17 E. 42nd St. 1935. Pp. xii, 226. $2.50.)

PRIME, J. H. *Analysis of industrial securities.* (New York: Prentice-Hall. 1935. Pp. xii, 364. $4.)

RADELL, N. H. *Accounting and food control for home economics students. Workbook for accounting and food control for home economics students.* (New York: Crofts. 1935. Pp. xx, 270; 169. $3.; $2.50.)

RICHESON, A. W. *Financial mathematics.* (New York: Prentice-Hall. 1935. Pp. xiv, 361. $2.50.)

RUDOLPH, H. J. *Operating results of California retail stores: 1934. A study of the 1934 operating results of large and small department and specialty stores in the State of California.* Bus. res. ser. no. 1. (Stanford Univ.: Stanford Univ. Grad. School of Business. 1935. Pp. 19. 25c.)

SCHMALZ, C. N. *Operating results of department stores in the Pacific Coast states: 1934.* Bull. no. 97. (Boston: Harvard Univ. Grad. School of Bus. Admin. 1935. Pp. v, 18. 50c.)

SMITH, J. B. R., editor. *New York laws affecting business corporations. Revised to May 17, 1935.* 16th ed. (New York: U. S. Corporation Co. 1935. Pp. xxxii, 504.)

SMITH, R. F. and WINAKOR, A. H. *Changes in the financial structure of unsuccessful industrial corporations.* Bull. no. 51. (Urbana: Univ. of Illinois Bur. of Bus. Research. 1935. Pp. 44.)

STABLER, C. N., editor. *The financial section of a newspaper.* (New York: N.Y. Herald Tribune. 1935. Pp. 66.)

THOMPSON, C. P. *An introduction to gas utility accounting.* (Ann Arbor: Edwards. 1935. Pp. 135. $2.)

VAN KLEECK, M. and FLEDDÉRUS, M. L., editors. *On economic planning.* Papers delivered at the regional study conference of the International Industrial Relations Institute, New York, November 23-27, 1934. (New York: Covici Friede. 1935. Pp. xiv, 275.)

WEED, D. W., and others. *Gearing mass production methods to present-day conditions.* Mass prod. ser. 7. (New York: Am. Manag. Assoc. 1935. Pp. 59.)

WILSON, I. H. *Selling under control of management.* (New York: Laundry Age Pub. Co. 1935. Pp. 199.)

WINAKOR, A. H. *Financial aspects of corporate net worth.* Bull. no. 50. (Urbana: Univ. of Illinois Bur. of Bus. Research. 1935. Pp. 34.)

American Association of Collegiate Schools of Business. Proceedings of the seventeenth annual meeting, New York, April 25-27, 1935. (Fayetteville, Ark.: Am. Assoc. of Collegiate Schools of Bus. 1935. Pp. 73.)

Economics of planning public works. (Washington: Supt. Docs. 1935. Pp. 194. 25c.)

Enquiry on national public works: addendum. (New York: World Peace Found. Geneva: League of Nations. 1935. Pp. 226. $2.)

Federal Trade Commission decisions. Vol. 18. *Findings, orders and stipulations, June 19, 1933, to April 23, 1934.* (Washington: Supt. Docs. 1935. $1.75.)

Financial incentives: a study of methods for stimulating achievement in industry. Stud. no. 217. (New York: Nat. Ind. Conf. Board. 1935. Pp. ix, 47. $1.50.)

The New York Stock Exchange: history, organization, operation, service. (New York: N.Y. Stock Exch., Committee on Publicity. 1935. Pp. 23.)

Oliphant's studies in securities. 9th issue. (New York: Jas. H. Oliphant. 1935. Pp. viii, 187.)

Report of the Boston Conference on Retail Distribution for 1935. (Boston: Retail Trade Board, 80 Federal St. 1935. $3.50.)

Standard tables of bond values, showing net returns on bonds and other redeemable securities paying interest semi-annually. Rev. ed. (Boston: Financial Pub. Co. 1935. Pp. 590. $5.50.)

Capital and Capitalistic Organization

NEW BOOKS

BRAEUER, W. *Kartell und Konjunktur der Meinungsstreit in fünf Jahrzehnten.* (Berlin: Heymanns. 1934. Pp. vii, 76. RM. 3.)

HENDRICKS, H. G. *The public utility question.* (New York: Am. News Co., 131 Varick St. 1935. Pp. ix, 148. $2.)

PITKIN, W. B. *Capitalism carries on.* (New York: McGraw-Hill. 1935. Pp. xi, 282.)

Labor and Labor Organizations

Labor in Modern Industrial Society. By NORMAN J. WARE. (New York: Heath. 1935. Pp. vii, 561. $3.50.)

Few authors ever packed into 561 pages more useful knowledge or shrewd observation on the development of the American labor movement than does Norman J. Ware in this volume. His range of information is unusually vast, combining a thorough familiarity with printed sources with a startling knowledge of the less accessible facts about personalities and situations, without which judgments are bound to remain mechanical and unreal. With this goes a style of presentation cramped neither by an undue fear of transcending the bounds of "objectivity" nor by the academician's reluctance to pronounce clear-cut judgment. Moreover, the author has been remarkably successful in presenting his subject as a throbbing, living reality.

For instance, the section on "legal rights" (pp. 103-111), devoted to workers on strike, is not only a completely objective description but also a piece of writing which moves profoundly by its genuine pathos.

The first fifth of the book is primarily analytical, the balance predominantly historical. In the latter part, however, the author has skillfully introduced analytical treatments of specific problems without obstructing the main flow. In the non-historical portion the outstanding treatment is of labor leaders, their several varieties and actual motivation. For his labor history Ware has drawn on his previously published works. The main emphasis is placed on the emergence of the American Federation of Labor and its duel with the Knights of Labor.

Stimulating and penetrating as the book is, it is the reviewer's opinion that the work suffers, in its interpretation and evaluation of the labor movement as a whole, from a defect caused by the author's social "faith." At bottom, Ware refuses to view American labor history from the angle of the paramount problem of the American labor movement itself, namely, building and maintaining organizations and enlarging their scope as well as the scope of individual unionists against the overwhelming obstacles inherent in the American environment. As this environment is both material and mental, with portions of each changing faster than others, the "experiment" of the labor movement is therefore with the employers, with the mind of the American community, with the political institutions, and, last but not least, with the workers' own mentality. Ware is a "naturalist" who is greatly concerned emotionally with the "quality" of the evolving species. He therefore forgets that in America unionism has to run the gauntlet of a most deeply entrenched institution of private property which periodically produces "open shop" and anti-red avalanches; that it is affected by the peculiar American attitude to political struggles; that it has to hold together against a conspiracy of many social forces constantly undermining it from within; that its pattern is basically alien even in sections dominated by middle-class frontier radicalism. Ware sees these factors at work, especially immigration, but only as modifying and retarding the effects of the all-important machine technique and capitalist institutionalism. But if Marx, as Ware repeats, misinterpreted the mind of the workers because he inferred directly from economic trends to labor mass psychology, why is Ware not guilty of the same error when he refuses to admit that the chief shortcomings he has found in the American Federation of Labor—a persistent craft consciousness, recently modified in the direction of industrial unionism, and an inhibition against labor partyism—might be after all legitimate adaptations to the American situation for the purpose of altering it, without suffering serious weakening in the process. Surely the failure of all other types of unionism—the De Leon, the I.W.W. and the communist—ought to be given some weight in forming judgment. A labor movement with even a

"most up to date" structure and program is a mere "blue print" if it fails to attract workers and to hold them.

Ware places the "blame" for America's labor movement so little to his liking on leadership, chiefly on Samuel Gompers. Gompers, he feels, might have chosen to build up the Knights of Labor, the organization of *all* labor, into a real modern labor movement instead of devoting himself as he did to its destruction and replacement by a non-political, craft-conscious Federation—just because, as Ware insists, the latter was easier to accomplish and ministered to his lust for revenge and power. He also blames Gompers for having made dual unionism the one unforgivable sin in the American labor movement—not because that was required to prevent internecine strife, which in a movement as fragile as the American labor movement leads to sure destruction, but in order to perpetuate himself and his cohorts in power. It is this persistent anti-Gompers bias, itself the result of the author's commitment to an abstract "ethical" conception of the labor movement, that imparts to the book a pronounced air of unfairness just as it obstructed the vision of this highly gifted social investigator. In Gompers' case, the author's perspicacity becomes highly questionable mind reading, such as the assertion that Gompers had an "aversion to jail amounting to an obsession" (p. 340) and that he sought cover after the confession of the MacNamaras (p. 376). Gompers showed his fear in a truly unusual manner when he went to Indianapolis to give comfort to the iron workers' convention, presided over by a man under sentence of seven years in a federal penitentiary.

Ware ends by expressing a doubt whether the official trade-union leadership in the United States or England can supply a leadership to effect an "adjustment of ideas, institutions and behavior to these [economic] conditions" (p. 497). He pins his hopes on a new, intellectual leadership. But intellectuals are notoriously devoid of "organization consciousness" and build altogether too much on theoretically and statistically demonstrable economic trends, confident that mass movements are controlled by these forces—a conclusion disproved by triumphant fascism. Labor leaders, with all their faults, at least manage to keep the concrete workers in the center of their vision rather than a mass of abstract human atoms, and feeling responsible for their organization they are ever alive to the strength of the opponent and to the general "lay of the land."

The author proclaims in the preface that "this book is written from the standpoint of labor." But if the only labor organization to which the author gives his approval is the defunct Knights of Labor, the question might be rightly asked what he means by "labor." Concerning the Knights of Labor the reviewer suggests that the author mistook the crusading zeal of "anti-monopoly" for the labor pains of a "modern" labor movement—just as in Russia the "populist" socialists mistook the village commune, which for all of its devices of "equalized land use" bred "kulaks" by the million, for the

foundation of a socialist order in the modern sense. The labor "radicalism" of the eighties, if given full development, would have eventuated in a paradise of farmer owners, small manufacturers and shop keepers—in brief in an American "kulak" paradise, from which labor unionism as well as trusts would have been expelled at the point of the sword. Ware brings out Joseph Buchanan as the "best representative" of this "new type" of labor leader who in the crucial middle eighties was engaged in changing the Knights of Labor from "a conservative and inactive organization to one of revolutionary possibilities" (p. 251); but the same Buchanan, Ware relates, "allowed and assisted Knights of Labor railroad men to act as 'scabs' in the C. B. and Q. strike," until Debs convinced him of the danger of that practice, because Grand Chief Engineer Arthur "had withdrawn engineers from the Knights of Labor railway strikes" (p. 282). The policy of combating "dualism," the cornerstone of the Federation's structure, which Ware repeatedly condemns, could hardly have found a clearer justification.

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Trade Unions and the State. By W. MILNE-BAILEY. (London: Allen and Unwin. 1934. Pp. 345. 12s. 6d.)

Trade unions have long enjoyed recognition in England as established social institutions. While by no means all industry is unionized, there is little outspoken hostility against unions by employers, and in many industries labor conditions have for years been regulated through trade agreements. Similarly, the government, while still hampering trade unionism with some legal disabilities, recognizes the trade unions as the spokesmen for all workingmen and, even when controlled by Conservatives, consults the Trades Union Congress General Council on all industrial questions.

Nevertheless, the relations between the British government and the trade unions have not always been pleasant. Both in the general strike of 1926 and in the general election of 1931 much was made of the issue of trade-union domination. While the defeats which labor sustained on both these occasions have allayed the fears of the middle classes, the trade unions are still suspected of aiming at the complete control of the state for their own ends.

It is to this question that this book is addressed. The author is the head of the research division of the Trades Union Congress General Council. While there is no reference anywhere in the book to the author's connections and there is not a line which suggests that the views expressed represent anything more than the conclusions of a well informed student of this problem, they can safely be taken as expressing the hopes and objectives of present-day British trade unionism.

This book was written to set forth the author's views on the desirable

relationship between the trade unions and the state in the years which are immediately ahead. As a background, the past and present relations are reviewed in some detail and the theories advanced by thinkers in all ages are brought to bear upon this problem. Quite naturally, the author ever has England in mind, but his general philosophy is adaptable to any industrialized country.

The book begins by calling attention to the large number of clashes since the World War between the trade unions and the state in many lands. Such clashes are almost certain to increase if the view continues to be held that the state must be supreme in all spheres and that every disobedience of the mandates of its politically elected representatives is a challenge to its sovereignty.

Trade unionism is at variance with such a unitary concept of the state. "Freedom, democracy, the refusal to accept industrial autocracy or state absolutism have been the keynote of the history of organized labor ever since men and women first banded themselves together to defend their vocational interests." Dictators, hence, suppress the unions or allow them to exist only as subordinate agencies of the state. Democracies cannot follow suit without abandoning their democratic character.

The irreconcilable conflicts which occur are due not to the element of democracy, but the fact that the unitary state "cannot fit in with the tendency toward functional decentralization which arises inevitably out of the facts of economic growth. The reconstruction of economic life and government that is just beginning must be on democratic lines and must provide for the participation of organized labor as one of the most important functional groups."

The trade unions are "the group expression of Labor" concerned with the vocational side of life. "In no state and in no social system can trade unionism permanently cease to be a real living force." Conflicts between the state and the trade unions cannot be eliminated through suppression or state control, but only through according them "a status comparable with their actual position in the economic system, and an effective voice in the formulation of policy affecting their interests."

In an age when technically scarcity no longer exists and in which the consciousness of scarcity is gradually disappearing, the vocational interests of labor are no longer concerned merely with the job, but also with the "conscious control of economic institutions and the planning of economic activities in the public interest."

Various concrete suggestions are made for according trade unions an effective voice in formulating policies affecting these wider vocational interests of labor. The government as an employer should deal with the trade unions in the same way as does a private employer, and so should the quasi-public corporations which seem destined to become an important means

for the democratic control of industries in the public interest. "There is no reason why trade unions, after the necessary nationalization of their own organization, should not make themselves increasingly responsible for the entire function of labor supply and regulation. Beyond this, the trade union should have (minority) representation on the governing boards of such corporations or on advisory committees and also on a National Economic Council, whose function it will be to advise Parliament in the economic field." The main principle underlying these suggestions is that where the interests of labor are most directly and concretely affected, the unions will actively participate, and that where general policies and the wider economic issues of government are concerned, the trade-union movement will have a recognized consultative and advisory rôle.

There is one evident omission in this study of the relationships of the trade unions to the state. Nowhere is there any discussion of the implications of the close connections between the British trade unions and the Labor Party, which figured so prominently in the Cabinet crisis and the general election of 1931. Between the lines the inference is very clear that the trade unions have an interest in public affairs that is quite distinct from that of the Labor Party, but this is not stated; in fact, the Labor Party is never mentioned. The reviewer found most interesting the concept of a changing capitalism which is gradually merging with an altered socialism, the passing of the age of scarcity and the implications of this change, the pluralistic view of society tinctured with the British concept of the supremacy of Parliament, and the 80 pages devoted to the history and present status of the law of labor combinations in England, which is easily the best brief account for laymen that has been written on this subject. And these are by no means all of the high points; this book is one which no student of either labor problems or government can afford to overlook.

EDWIN E. WITTE

University of Wisconsin

NEW BOOKS

BAGGE, G., LUNDBERG, E. and SVENNILSON, I. *Wages in Sweden, 1860-1930.* Part 2. *Government and municipal services, agriculture and forestry, the general movement of wages in Sweden, 1860-1930.* (London: P. S. King. 1935. Pp. xix, 393.)

CUMMINS, E. E. *The labor problem in the United States.* 2nd ed. (New York: Van Nostrand. 1935. Pp. 686. $3.75.)

GREENWOOD, A. *Unemployment and the distressed areas: Labour's smashing indictment of the "national" government.* (London: Labour Pubs. Dept., Transport House. 1935. Pp. 16. 1d.)

LORWIN, L. L. and WUBNIG, A. *Labor relations boards: the regulation of collective bargaining under the National Industrial Recovery act.* (Washington: Brookings Inst. 1935. Pp. xiv, 477. $3.)

LOWE, B. E. *The international protection of labor: International Labor Organization, history and law.* New ed. (New York: Macmillan. 1935. Pp. lxxiii, 594. $3.50.)

MCKEE, S., JR. *Labor in colonial New York, 1664-1776.* Stud. in hist., econ. and pub. law no. 410. (New York: Columbia Univ. Press. 1935. Pp. 193. $3.)

MURPHY, J. T. *Modern trade unionism.* (London: Routledge. 5s.)

SCHLOSSBERG, J. *The workers and their world (labor problems).* (New York: Amalgamated Locals Pub. Committee, 15 Union Sq. 1935. Pp. 224. $1.)

STEIN, E., RAUSHENBUSH, C. and MACDONALD, L. *Labor and the New Deal, with 1935 supplement.* (New York: Crofts. 1934. Pp. 112. 80c.)

SWAYZEE, C. O. *Contempt of court in labor injunction cases.* Stud. in hist., econ. and pub. law, no. 409. (New York: Columbia Univ. Press. 1935. Pp. 145. $2.25.)

TURIN, S. P. *From Peter the Great to Lenin: a history of the Russian labour movement with special reference to trade unionism.* (London: P. S. King. 1935. Pp. xii, 216. 9s.)

Children and young persons under labour law. Stud. and rep., ser. 1, no. 3. (Geneva: Internat. Labour Office. 1935. Pp. viii, 342. $2.75.)

The I.L.O. year-book, 1934-35. Vols. I and II. (Geneva: Internat. Labour Office. 1935. Pp. vii, 560; viii, 252. $3.; $1.)

Labour legislation in Canada, 1934. (Ottawa: H. M. Stationery Office. 1935. Pp. xvi, 59. 25c.)

National Labor Relations Board: decisions. Vol. 2. *December 1, 1934-June 16, 1935.* (Washington: Supt. Docs. 1935. Pp. 556. 60c.)

Ohio State Federation of Labor: proceedings of the fifty-first annual convention, Columbus, August 19-22, 1935. (Columbus: Ohio State Fed. of Labor. 1935. Pp. 173.)

Reduction of hours of work. Vol. VI. *Principal statutory provisions limiting hours of work in industry.* 19th sess., rep. vi. (Geneva: Internat. Labour Office. 1935. Pp. 51.)

Report on the census of unemployment in Massachusetts as of January 2, 1934. Pub. doc. no. 15. (Boston: State House. 1935. Pp. 202.)

Report on collective agreements between employers and work-people in Great Britain and Northern Ireland. Vol. I. *Mining and quarrying industries; engineering, shipbuilding, iron and steel and other metal industries; building, woodworking and allied industries.* By the Ministry of Labour. (London: H. M. Stationery Office. 1934. Pp. xxxiv, 454. 7s.)

This volume is the first of a series to be issued by the Ministry of Labour summarizing collective agreements in Great Britain. It deals with agreements in mining, engineering, shipbuilding, iron and steel, and building industries. Later volumes will consider other industries. No report of this sort has been undertaken since 1910. Since then a number of industries in which collective agreements were at that time practically unknown, now commonly work under "agreed industrial by-laws." Among these are civil engineering, public works construction, electrical contracting, paper making, flour milling, leather tanning and currying, cement making, and the mercantile marine.

Several trends in the form of agreements are noted. National agreements are becoming increasingly common, though coal mining offers an important exception, for in the coal fields district agreements have prevailed since the 1926 strike. Agreements are likewise becoming more inclusive by covering more un-

skilled and semi-skilled workers. Wages in the coal industry are, as previously, in part settled on the basis of the district's profitability. In iron and steel sliding-scale arrangements based upon selling prices prevail.

Students of industrial relations in this country cannot but be impressed by the opening paragraph of the report: "Collective bargaining between employers and workpeople has, for many years, been recognized in this country as the method best adapted to the needs of industry and to the demands of the national character, for the settlement of the conditions of employment of the workpeople in industry. Although collective bargaining has thus become established as an integral part of the industrial system, it has discharged its important function, on the whole, so smoothly and efficiently and withal so unobtrusively, that the extent of its influence is apt to be, if not altogether overlooked, at least underestimated. It has produced a highly co-ordinated system of agreed working arrangements, affecting in the aggregate large numbers of workpeople and defining, often with great precision, almost every aspect of industrial relations."

LINCOLN FAIRLEY

Twelve and one-half million registered for work, 1934. (Washington: Supt. Docs. 1935. Pp. 103.)

Money, Prices, Credit, and Banking

British International Gold Movements and Banking Policy, 1881-1913. By W. EDWARDS BEACH. Harvard Econ. Stud. Vol. 48. (Cambridge: Harvard Univ. Press. 1935. Pp. xiv, 218. $2.50.)

The theoretical treatment of international gold movements, after a long period of slow development, is now rapidly advancing. Professor Beach, who is particularly interested in the study of lags in connection with such movements, might appropriately have commented on the lags between the actual modifications in international transactions and corresponding advances in the analyses and explanations offered by economists.

The material in this study, which was awarded the David A. Wells prize at Harvard for the year 1930-31, has gained rather than lost in timeliness in the interval before publication in its present form in the Harvard Economic Studies. The period 1881-1913, selected for analysis as a time during which business cycles in England were clearly marked and, with one fairly unimportant exception, free from the complicating influences of war, is as useful as ever for scientific dissection; and in the meantime the public awareness of the importance and complexity of the relationship between economic cycles and international gold movements has deepened.

Professor Beach sets himself the task of examining factually Hawtrey's concepts with respect to internal drains and the international flow of gold in the course of the various phases of the business cycle. In particular he attempts to give precision, with the aid of quantitative evidence, to the concept of lags; and, further, to explore the mechanisms of the foreign exchange market and the process of adjusting disequilibria in the balance of payments.

He is hypercritical neither of the classical theory of gold movements nor of the position of Hawtrey himself, which he describes as inherently classical. Tacitly he gives the reader to understand that further advance in this field of knowledge is dependent upon the prolonged and painstaking process of quantitative exploration.

After a preliminary survey of price-specie flow theories from the early nineteenth century to the present day, together with modifications in them and criticisms brought against them, the author proceeds to a statistical analysis of cyclical variations in gold and currency movements, bank reserves and credit, the London money market, and the relation of the Bank of England to the money market and the banking system throughout the period. An examination of the facts makes fairly obvious the conclusion that the more temperate the fluctuations in the business cycle the greater the lag in gold and currency movements. Bank rates present a slightly more complicated situation. The important cyclical variations stand out, with high rates in the period of expansion and low rates in depression, but market rates tend to diverge from the bank rate in depression, although they remain in close accord in periods of expansion. Generalizations and conclusions of this order are lacking in the chapters on the London money market and the relations of the Bank of England to the market. These chapters, however, contain a detailed record of the operation of the machinery during the period.

As a result of his analysis Professor Beach finds two difficulties with the classical explanations in connection with cyclical gold flows. In the first place, it is assumed that adjustments through the price mechanism and responses in international trade must be very prompt. The author questions whether the business cycle is long enough to permit these adjustments to be made. In the second place, fluctuations in foreign loans should permit higher price levels in borrowing countries during prosperity, and steeper falls in depression, than in creditor countries, if the classical explanation is correct. Lower price levels in prosperity in older creditor nations produce specie imports if price levels govern the situation, but are consistent with specie exports if a large volume of foreign lending is going on. A lag of prices in such countries does not necessarily, therefore, bring specie imports in prosperity or exports in depression.

Professor Beach feels sure that Hawtrey has overemphasized the sensitiveness of the response of prices and production to a rise in discount rates. He himself believes that the frictional elements in the economic system are more important than the classical writers have admitted. In conclusion he argues that unless some mechanism such as Keynes has suggested is set up for curbing the unfortunate effects of movements of short-term balances, the international gold standard seems likely to prove effective only over short periods and to be subject to breakdown at frequent intervals.

Probably the author's most important contribution to the discussion, aside from the presentation of the not-too-accessible factual material, is his emphasis upon friction in international transactions. Many of the prophecies made as to international transfers on account of post-war obligations, both public and private, have gone askew because of the very error which he attacks: that of underestimating the obstacles in the way of smooth and prompt responses. In this connection he might well have given even greater attention to long-term capital commitments.

ALZADA COMSTOCK

Mount Holyoke College

Regulation of the Small Loan Business. By LOUIS N. ROBINSON and ROLF NUGENT. (New York: Russell Sage Found. 1935. Pp. 284. $3.00.)

This is the fifth and final volume of the series the Sage Foundation has issued on the general subject of small loans. While it makes generous use of information contained in the earlier volumes it is more than a mere summary. The authors present the historical background of lending; describe unlicensed lending before the enactment of special small-loan laws; show the many abuses; trace the evolution of small-loan legislation; describe the procedure used by small-loan offices; and finally present a critical analysis of costs and profits in the business and of the problem of the desirable rate of interest to allow the lenders.

No one wishing a knowledge of this relatively new type of lending, too long neglected by economists, can afford not to read this volume, the most comprehensive one on the subject. It is packed with information as to the social philosophy of small loans, the opposition to the law by unlicensed lenders, Morris plan banks, and well meaning individuals who were shocked at the high rate of interest allowed by law. In the judgment of this reviewer the authors have demonstrated the need for small-loan companies charging whatever rate of interest may be requisite to attract to the field the capital that may be used in lending to people who otherwise would be driven to the loan sharks. The determination of a maximum rate of interest, the authors hold, is a practical and not an ethical problem (p. 244). That is, the rate allowed determines the type of risk that can be taken by the lender. In general, while local conditions make variation desirable, they believe a rate of 3 per cent per month attracts to the field that capital needed to lend to all to whom it is socially wise to make loans (p. 251-2).

If any adverse criticism is warranted, it is that inadequate emphasis has been given the evils developed under the system. The authors do show that there have been too many repeaters, in many cases the renewals accounting for more than half the loans made (p. 215). This is a heavy indictment of a system lending to the necessitous at high rates of interest. Unwarranted duplication, borrowing at several offices simultaneously, is also recognized

as an evil. If the rate permitted is too low lenders are tempted to limit themselves to the larger loans, frequently persuading prospective borrowers to take larger sums than they should receive. To prevent this the Foundation now recommends a graduated charge, the rate decreasing on sums above a stipulated amount (pp. 269-70). This impresses the reviewer, in spite of the difficulties involved, as a step in the right direction.

Perhaps the most questionable position taken by the authors is the assumption that competition will reduce the rate of interest in the small-loan field (pp. 186; 219). There is reason to believe that here, as in the public utility field, competition, through a reduction in the volume of business for each office, is more likely, because of increased overhead, to compel the exaction of higher rates of interest.

Since this is the final volume of the series it is unfortunate that the authors did not include a selected bibliography of the literature on the subject. In spite of this, the book is an invaluable contribution to the subject.

Clyde Olin Fisher

Wesleyan University

Ecrits Notables sur la Monnaie (XVI^e Siècle), de Copernic à Davanzati. Edited by Jean-Yves Le Branchu. Vols. I and II. (Paris: Alcan. 1934. Pp. civ, 177; 241. 35 fr., each.)

When in September, 1931, England announced her departure from the gold standard, a punster proclaimed that "Britannia waives the rules." Since then, this waiving of rules in multifarious fashions has produced so much excitement that we are apt to forget there is absolutely little new under the sun. Browsing through these two volumes with their handsome facsimiles of title-pages, the reader will encounter many analogies with present-day discussions concerning controlling (*i.e.*, ruining) the currency and attaining autarchy (*i.e.,* annihilating trade). He will discover, for example, that in 1526 Copernic, a member of the "sound" or "sadistic" monetary school, prevailed upon Sigismund I to secure Poland's adherence to the gold-silver bloc; that, at about the same time, silver interests in Saxony, after a lively exchange of pamphlets (experts' reports) secured an advance in the nominal price of the metal; and that Sir Thomas Gresham was sent to Antwerp with the express commission to maintain the pound rate there, while endeavoring to transfer payments on Henry the Eighth's frozen long-term credits from the Low Countries (exchange control).

The first volume of the collection embraces, beside the 100 page introduction, Copernicus's memoire and letter on coinage, the Saxon "Gemeine Stimmen von der Münze," Malestroit's "Paradoxes," and Bodin's notable "Response." In Volume II appear Gresham's communication to Elizabeth, the anonymous "The Common Weal of This Realm of England," and Davanzati's lecture on money. All these works are reproduced without

abridgement, and with careful editorial annotation. The modern French translation of "The Common Weal" lacks the charm of the sixteenth century English original with which we are familiar through Miss Lamont's editorship. But this unavoidable loss is made good by the retention of the original version of Bodin, which does not prove so archaic as to preclude a foreigner's enjoying its quaintness and understanding the argument.

M. Le Branchu's introduction is at the same time scholarly and lively. Laymen and general students of theory will find that it affords an excellent orientation to this particular phase of monetary writing, and the specialist will want to examine M. Le Branchu's evidence that not John Hales but Sir Thomas Smith is really the "W. S." to whom we should attribute "The Common Weal." The publication of these two volumes signalizes the launching of the second edition of *Collection des Principaux Economistes* under the direction of Professors Gaeton Pirou and François Simiand, with a somewhat revised list of authors and works. Through the publication of manuscript texts and out-of-print editions, this series performs an essential service for the student of economic doctrines.

HOWARD S. ELLIS

University of Vienna

La Politica Finanziaria e Monetaria dell'Inghilterra. By ANTONIO MARIO PESENTI. (Padua: A. Milani. 1934. Pp. xviii, 340. L. 43.)

This book deals primarily with English public finance since the World War, but the subject is treated in such a broad way that it becomes a study of the whole of English economic policy. It is divided into four parts. The first part outlines the principal economic and political characteristics of post-war England and the problems centering upon the return to the gold standard. The second covers the period from 1925 to 1931, under the gold standard, with emphasis upon the increase in expenditures, "safeguarding," reform of local taxes, the public debt and unemployment subsidy policies, and the relationship between English and international costs and prices under the gold standard. The third part deals with the period following the abandonment of the gold standard. Here are traced the advantages and dangers of the new situation, the economic and financial policies pursued by the government and the Bank of England, and fiscal policy under devaluation. The concluding part summarizes the characteristics and analyzes the effects of English policy.

The most important problem under the gold standard was the lack of equilibrium between English and international prices. The abandonment of the gold standard, the management of the pound, and protection to English industry reduced appreciably the unfavorable balance of trade. Going off gold checked the fall in prices but not the deflation of wages, increased available credit resources and, most important of all, resulted

in increased profits. But the gains, Pesenti believes, are temporary, and cannot compensate for the effective and lasting losses occasioned by the new policy. The world crisis was aggravated; for many other countries also devaluated, those remaining on gold suffered more deflation, and monetary and economic protectionism were augmented. Other countries adopted English methods and used them without moderation. Nor does the formation of a "sterling" block offer the possibilities of a solution of England's problems. For the national interests of the countries concerned are too diverse. It is best for all concerned that England return to the gold standard, although not necessarily at the old parity.

The devaluation of the pound, Pesenti concludes, was a manifest indication of the impotency of English political economy to meet and resolve the crisis with methods dictated by sensible economic theory. It would have been better to make a direct frontal attack on costs of production in old industries and to stimulate the development of new industries. But England used instead the classical methods of capitalism in crisis: reduction and regulation of production, establishment of cartels in which failing establishments are able to continue operations, and maintenance of prices. Consequently England slowly but surely is becoming decadent. Her salvation lies in state intervention and not in the return to the doctrine of liberalism. But intervention must not be, as it has been, designed to crystallize the existing economic system in the interests of the dominant economic classes. It must be intervention based on clear ideals of national interests and designed to adjust the economic system to changing world conditions and to maintain the flexibility essential in modern times.

England's economic policy is of great concern to the world. It remains to be seen whether or not devaluation and protectionism are the way out. To the debate on that question, Pesenti has made a valuable contribution. He has carefully analyzed the available material and has presented the results of his analysis in a masterly fashion. That many will disagree with the conclusions reached is certain. Yet all must respect the impartiality, perspicacity, and scholarship here brought to bear upon one of the most important current economic problems.

DOMENICO GAGLIARDO

University of Kansas

NEW BOOKS

ANDERSON, T. J. *The powers of Congress over currency, banking and security distribution.* (Cambridge: Bankers Pub. Co. 1935. Pp. 59. $1.)

ANGAS, L. L. B. *The problems of the foreign exchanges.* (New York: Knopf. 1935. Pp. xiv, 316. $3.75.)

"Gold prevents the cure of Unemployment! . . . And that is precisely why I have written this book. It is impossible . . . either to cure unemployment or to have continuous good trade until the international gold standard as we know it is abolished."

"A gold backing for internal currency is entirely unnecessary."

In these two statements we have the creed of the author.

The bald statements of Major Angas indicate the holding of very radical opinions. However, as he develops his thesis it is evident that we are reading the views of a thinker, views which merit thoughtful consideration and which deserve to be weighed carefully against habits of thought and life-long predilections that gold is the only reliable measure for money in either domestic or foreign trade.

If an international monetary system could be agreed upon, Major Angas admits that gold would be by far the best that the wit of man is able to devise at present. "But please note," he says, "I have used the word 'international' and not 'national.'" However, as a practical matter an international standard is politically impossible. Furthermore he takes the position "that even if people would work the gold standard properly, it would not be as good in practice as non-international paper; and since they will not work it properly, paper is much the best."

In support of this view the author makes a thorough analysis of the manner in which foreign trade operates. This analysis is keen, clear and should be read by anyone whose knowledge of this subject is more or less nebulous. It is said that Mr. J. P. Morgan "can tell a good bill by its smell," but most of us are not so well informed.

The book is divided into four parts: Part 1, "First principles"; Part 2, "Mechanism of the gold and paper exchanges"; Part 3, "Gold compared with paper (the chapter on the six diseases of money is important); and Part 4, "Practical problems." In the concluding chapter the author reviews today's exchange problems of the leading nations. He is frankly pessimistic about securing improvement in world economic conditions. So far as America is concerned the author expresses the opinion that "until Mr. Roosevelt succeeds in making American business men believe that he is anxious for them to make profits, and big ones at that, no rapid revival is likely. Fear that profits are looked at with disfavor is disastrous to employment and business revival in a capitalistic State."

As to the future, he says "gold may still be held as a nominal backing to currency; and in some cases actual reflation may be effected on gold instead of paper. This I regard as the most likely and the healthiest way out of the tangle."

A thought-provoking book. It may be commended to all who want to understand the working of the international exchanges when on a paper basis, as they are today.

HARVEY E. FISK

BALABANIS, H. P. *The American discount market.* (Chicago: Univ. of Chicago Press. 1935. Pp. ix, 101. $1.)

As used in this monograph, the term *discount market* is synonymous with acceptance market or bill market dealing only in bankers' acceptances. "The purpose of this study is to explain, within limited space, the organization of the discount market, the services it renders in the financing of domestic and international trade, the opportunities it offers for short-term investment, and the part it plays in the mechanism of commercial credit."

BASTER, A. S. J. *The international banks.* (London: P. S. King. 1935. Pp. vii, 269. 12s. 6d.)

BEATY, J. Y. *How to understand banks.* (Chicago: Business Pubs. 1935. Pp. 322.)

BECKWITH, B. P. *Contemporary English and American theories concerning the effect of commercial banking on the supply of physical capital.* (Los Angeles: Univ. of Southern California Press. 1935. Pp. 45.)

BREWINGTON, A. and KNISELY, V. B. *The social concept of money: a bibliography.* (Chicago: Univ. of Chicago Press. 1935. Pp. viii, 107. 50c.)

"The social concept of money is here defined as an attitude which predisposes one, as an individual and as a member of society, to manage his money with regard for the economic and social consequences of his spending, earning, and saving."

BROWNELL, F. H. *The world silver situation.* Address delivered before the American Mining Congress, Chicago, September 24, 1935. (New York: Am. Smelting and Refining Co. 1935. Pp. 15.)

CRAMER, T. P., JR. *States as bankers.* (Portland, Ore.: Author, Ore. Bankers Assoc. Pp. 53. 50c.)

CROW, W. H. and CHECKVER, S. *The federal credit union.* (New York: Oriom Press. 1935. Pp. 215.)

DOMKE, M. *La clause "dollar-or": la non-application de la législation américaine aux emprunts internationaux.* (Paris: Les Éd. Internat. 1935. Pp. 100. 20 fr.)

DURBIN, E. F. M. *The problem of credit policy.* (New York: Wiley. 1935. Pp. xvii, 267. $3.)

EINZIG, P. *World finance, 1914-1935.* (New York: Macmillan. 1935. Pp. xvi, 382. $3.)

The title chosen by Dr. Einzig is an ambitious one for a volume of less than 400 pages; but the book contains enough well-merited thrusts and thoughtful observations to compensate its readers for any speed there may be in covering the period. Scornful of both groups of extremists—those who "think that everything ought to be sacrificed for the sake of maintaining the monetary *status quo,*" and the "currency cranks" and "various schools of currency conjurors, Douglasites, Soddyites, Technocrats, etc."—the author contends that the proper monetary policy of the future lies along a middle path. Within the frame of economic planning he would have the world's major currencies devalued and stabilized according to their new economic parities. Their relationships might then be altered as a matter of expediency, but only when major movements in commodity prices make adjustments desirable.

The author has become extremely critical of British policy in the past and of the principles according to which it has been guided. In speaking of Great Britain's "error" in raising the bank rate to 10 per cent in August, 1914, he releases this dart:

"According to the orthodox dogma, the bank rate is an all-important weapon with which central banks are in a position to govern the welfare of the nation, the fate of mankind, and even the course of the Universe. . . . And had the astronomers discovered that another planet was threatening to collide with our globe the pundits of pre-war finance would have expected to avert the disaster with the aid of a 100 per cent bank rate."

For Americans the most provocative sections of the book are those which deal with the Roosevelt monetary policies. The author, frankly confessing that at the beginning he was one of those who accused the American authorities of deliberately "walking off the gold standard," now admits that upon closer

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examination of the circumstances in which the decision was reached, he has arrived at the conclusion that President Roosevelt was right. He believes that he will not be contradicted when he says that the suspension of the gold standard of the United States provided the turning-point in the crisis.

Even those whom Dr. Einzig has roundly scolded will find in these pages something to ponder over. Any thoughtful American who is familiar with the terminology of the subject should profit by reading the last third of the book, and in particular the sections which deal with the "brutality" of the American gold-buying policy.

ALZADA COMSTOCK

FEI, K. T. *Silver at work, with special reference to China.* (Shanghai: Finance and Commerce. 1935. Pp. ii, 51. $3, Chinese.)

This large pamphlet is a republication of a series of articles in the well-known Shanghai journal, *Finance and Commerce.* It is a technical survey of the internal and external economic conditions of China, more especially from the standpoint of currency, buttressed with elaborate statistical data. Although it suffers from inconclusiveness of judgment on the major issues discussed, this study will be of use to all American economists interested in Chinese currency.

NEIL CAROTHERS

FISCHER, H. *Die Statistik des französischen Kreditmarktes: Versuch einer kritischen Darstellung.* (Berlin: Heymanns. 1934. Pp. 219. RM. 6.)

GARCIA, F. L. *How to analyze a bank statement.* (Cambridge: Bankers Pub. Co. 1935. Pp. 54. $1.)

GREGORY, T. E. *Currency stabilization and business recovery.* Report prepared for the International Chamber of Commerce. Doc. no. 4. (Paris: Internat. Chamber of Commerce. 1935. Pp. 7.)

GRIZIOTTI, B. *L'évolution monétaire dans le monde depuis la guerre de 1914.* (Paris: Sirey. 1935. Pp. 144.)

HALM, G. *Geld—Kredit—Banken.* (Munich: Duncker und Humblot. 1935. Pp. vii, 164. RM. 3.50.)

HARDY, C. O. *The Warren-Pearson price theory.* (Washington: Brookings Inst. 1935. Pp. vii, 34. 50c.)

"A pre-print from a study of the influence of exchange depreciation on prices and on the volume and direction of the flow of international trade."

HARWOOD, E. C. and FERGUSON, D. G. *Inflation.* (Cambridge: Am. Inst. for Econ. Research. 1935. Pp. 64. $1.)

"What is inflation?"; "Varieties of inflation and their consequences"; "The story of inflation in Germany"; "Inflation and devaluation in France"; "America's experiences with inflation"; "An index of inflation."

HIMADEH, S. B. *Monetary and banking system of Syria.* (Beirut: American University. 1935. Pp. xix, 367.)

This volume will be of value to students of money and banking who have a special interest in the Near East or in France. It will also be valuable to the theorist as an exposition of conditions in a region where commerce and finance are relatively less advanced. To the reviewer this latter aspect of the study seems worthy of particular notice. Our banking development in the United States has been rapid, and primitive conditions are part of our historical background.

They still prevail in many sections of the world. Yet this fact is largely ignored in our study of banking, which deals primarily with the present organization in our own country and secondarily with that in Europe.

To particularize some of the unusual conditions present in Syria in the post-war years, we find: (1) a number of foreign coins in use without a fixed value relationship to each other or the national unit; (2) a money of account differing from the national unit; (3) a national "paper exchange" standard tied to the franc (which fluctuated in gold value until it was pegged in late 1926), in a country accustomed to gold and silver in circulation; (4) the attempt to popularize a new national unit under these handicaps; (5) a country where even ordinary commercial financing is largely by agencies other than banks and at high interest rates; (6) banking without government supervision; (7) banking (outside of foreign banks) still in a process of development from a position as a sideline of other business; (8) a popular distrust of banking which limits deposits; (9) a belief held by a considerable portion of the population that all interest is usury; (10) almost complete absence of payment by check; and (11) a legal system that is a handicap to commercial credit transactions.

The ordinary reader cannot realize the difficulty involved in presenting an accurate picture of such conditions because of the dearth of literature and official publications with which the American researcher is accustomed to work. Mr. Himadeh, favored by his background of a life in Syria, has done an excellent job in the historical and descriptive sections and deserves our gratitude. The section dealing with suggestions for reform is less satisfactory, not so much because of the proposals advanced as because of the brevity of the discussion.

PRENTICE N. DEAN

JOLLIFFE, M. F. *The United States as a financial centre, 1919-1933, with reference to imports and exports of capital.* (New York: Oxford Univ. Press. Cardiff: Univ. of Wales Press Board. 1935. Pp. xii, 146. 6s.)

This book gives a brief history of monetary and credit events in the United States from the end of the war through 1933 together with a description of the American money market.

The United States has rapidly acquired a dominant economic and financial position in the world, due, according to the author, to the following factors: (1) The country possesses vast productive resources such as coal, petroleum, iron and a fertile soil. (2) American industry has been highly rationalized and mechanized. (3) The United States has an extensive home market free from political and other barriers. (4) The country has an improved banking and credit system, following the inauguration of the federal reserve system in 1914. (5) The European war turned the United States vigorously from a debtor to a creditor, and gave great impetus to the financial development of the country. (6) The United States has seemed to have fewer political and social upheavals than other countries, which fact attracted capital to America.

In discussing credit policies and events leading up to the financial collapse of 1929, the author feels that the blame is to be placed partly at the door of the federal reserve system. The system has not provided the intended stability due to the abnormal situations which it has faced and for which it was inadequately prepared by the terms of the Federal Reserve act. Member banks were largely independent of the federal reserve system because of an

extraordinary inflow of gold which began during the war. This gold was not wholly sterilized but created a vast expansion of credit, assisted by the federal reserve system. Thus, "The money market was set for a rise from 1924 and that rise was actually inspired in part by the cheapening of credit by the federal reserve banks." Cheapening credit in 1927 for the purpose of helping Europe had particularly disastrous effects upon the United States. "Speculative forces exhausted themselves almost without resistance from the federal reserve authorities. . . . Its policy was unstable and erratic. . . . It should make up its mind once for all that the best way to help Europe is by being successful in maintaining stability within the United States."

The reserve system has lacked organic unity. It has furthermore been handicapped by actions of the Treasury or by pressure of public opinion. To some extent its failure has also been due to inability to understand money market movements.

Other factors responsible for the crash in 1929 and the subsequent havoc were: policies of business corporations, unwarranted extension of credit by member banks and foreign lending activities.

The author gives considerable attention to foreign financial affairs of this country and to its balance of payments. He points out the inconsistencies involved in American tariff policy. The large imports of gold—"which had such devastating effects both upon the economy of the United States and upon that of foreign countries"—were in large part caused by our tariff policy. Refusal of the United States to accept imports thus was an important cause of the depression. Financing our exports by loans, followed by a sudden cessation of loans has had disastrous effects upon foreign trade and upon world economic conditions.

The book gives a concise picture of American post-war monetary and credit developments, national and international, written with the perspective of a foreigner. The system of assembling all footnotes together at the end of the book is a little inconvenient to the reader.

JOHN PARKE YOUNG

LIEPMANN, L. *Der Kampf um die Gestaltung der englischen Währungsverfassung, 1819-1844.* (Berlin: Junker und Dünnhaupt. 1933. Pp. vi, 238.)

The present book provides a careful study of the conflict between the currency principle and banking school in the first half of the last century. Fortunately the author gives a detailed picture of the economic background and the monetary and banking situation in England during the period preceding the legislation of 1844. This goes to show that such problems can be analyzed and solved only in correlation with the entire economic, political, and social fabric of a time, and different periods require different measures, keeping, however, fully in touch with past experience and tradition. In this book, the author describes the two schools in their state of a hundred years ago. Their development and their present conditions will be dealt with in a second volume.

OTTO NATHAN

LOPEZ, J. R. *La liquidación del pasado: la nueva política de emisión fiduciaria.* (Montevideo: Soc. Uruguaya de Econ. Pol. 1935. Pp. 15.)

MILHAUD, E., and others. *Organisation des échanges et création de travail.* (Paris: Sirey. 1934. Pp. 404. 25 fr.)

In the two books *Nouveau Travail, Nouveaux Débouchés* and *Trève de l'Or*

et Clearing International which Professor Milhaud published in 1933, he advanced certain suggestions to hasten recovery and to create work for the unemployed. His leading idea was to create, as an emergency measure, a new means for effecting payments. This new money, called warrant, which would be brought into circulation through advances to manufacturers, could not be converted into gold and should be spent within a limited period of time or it would become worthless. The owners of such warrants would thus not be interested in hoarding, but would spend their income very soon and, by so increasing the turnover of goods, help to reduce unemployment. In the same way, warrants should be issued by a National Clearing House for international exchange of goods, for payments of international debts, and for capital movements. All economic exchanges between different countries would be settled through these warrants which would be convertible into the domestic currency of the respective country of issue. These warrants, too, would lose their value within a certain period. In the opinion of the author, this system would insure greater and quicker exchange of goods between different countries and would automatically balance trade and payments between each two nations. An International Clearing House would help to create a market for these warrants in order to find an outlet for goods which have to be purchased in a certain country (lest the warrants issued for previous sales to this country become worthless), but for which the country owning the warrants has momentarily no use. The author hopes that his plan tending to force purchases and sales in domestic and foreign trade would help to free the markets and to reduce restrictions to trade.

The present book is a collection of articles by different authors (besides Professor Milhaud himself: U. v. Beckerath, Berlin; Walter Zander, Berlin; H. Rittershausen, Frankfurt; Karl Küttel, Budapest; M. C. Heilperin, New York). In these articles which have been published before in the *Annales de l'Economie Collective*, details of the Milhaud plan contained in the two books are discussed, and experience with similar schemes to create work in different countries is described. In a concluding chapter Professor Milhaud reports on the progress of the movement by reproducing statements and articles by numerous writers. This new large volume assembling such a great amount of material on a vital problem will surely help the critical study of the scheme in order to establish its significance for future times of emergency.

OTTO NATHAN

MILLS, R. C. and WALKER, E. R. *Money.* (Sydney: Angus and Robertson. 1935. Pp. 219. 5s.)

ROBINSON, G. B. *Monetary mischief.* (New York: Columbia Univ. Press. 1935. Pp. xiv, 188. $2.)

A series of essays dealing "with aspects of the monetary mischief of the past eighteen years, beginning with April, 1917, when America declared war." It does not detract from the value of these essays that many of them appeared originally as articles published in the New York *Times* sponsored weekly, *The Annalist.*

Historically the collection is of importance. Each one deals with an analysis of some special happening in connection with a progressive series of banking, currency and investment mistakes which led up to the crisis of 1929 and the efforts at reconstruction since then. The author is a skillful diagnostician and a

constructive critic. He is a thinker. In his first essay "Monetization of common stocks" he is on common ground with Professor Irving Fisher in his recent book, *100% Money*, in condemning deposit currency created by bank loans. He differentiates between such currency when created by self-liquidating loans made against commercial operations and that created by loans made to finance construction, or loans made to finance speculative operations in securities. In his own words when the banks "monetize for borrowers, common stocks, real estate, or other such capital assets, they create a volume of deposit currency which cannot be contracted, in any considerable amount, without bringing about a collapse in the going prices of such capital assets." . . . Such currency "was not money which had its origin in production, but in speculation, and was, therefore, as unreal as stock prices themselves."

The author criticizes the methods of the federal reserve banks and of the stock exchange and shows (to his satisfaction at least) that the country was riding for a fall long before the fateful crisis in the autumn of 1929. "Such utter confusion of capital and credit is a dangerous adventure."

The book is a valuable historical document and is also the work of an analyst skilled in banking and economic affairs. It gives a reasoned criticism of the financial events of recent years. It is to be commended to all readers who may want ammunition for use in fighting the financial heresies of the present time.

HARVEY E. FISK

SHEA, W. P. *Silver dollars.* (New York: Putnam's. 1935. Pp. 64. $1.)

This little book purports to summarize the history of silver as money and to explain the economic significance of recent silver policy in the United States. Actually it is a subtle bit of propaganda in defense of the silver subsidies. The author has a positive gift for neglect and omission of fact. He presents the astonishing thesis that the objective of our silver policy is to make silver the reserve behind all our paper currency, "leaving gold completely free for other purposes." The book abounds in misconstruction of elementary economic facts about money. It is significant only as evidence of the type of monetary literature to which the public is subjected.

NEIL CAROTHERS

THON, R. W., JR. *Mutual savings banks in Baltimore.* (Baltimore: Johns Hopkins Press. 1935. Pp. 100. $1.25.)

WHITE, H. *Money and banking.* Rev. and enl. by CHARLES S. TIPPETTS and LEWIS A. FROMAN. (Boston: Ginn. 1935. Pp. xiv, 808. $3.50.)

Federal Reserve Board: twenty-first annual report, covering operations for the year 1934. (Washington: Supt. Docs. 1935. Pp. ix, 284. 25c.)

Individual statements of condition of national banks (and private banks not under state supervision), at the close of business, December 31, 1934 (states, territories, and towns alphabetically arranged). Treasury Dept., table L. (Washington: Supt. Docs. 1935. Pp. 203. 15c.)

Labour's financial policy. (London: Labour Pubs. Dept. 1935. Pp. 16. 1d.)

Survey of reports of credit and capital difficulties submitted by small manufacturers. Business Advisory Council for the Dept. of Commerce. (Washington: Supt. Docs. 1935. Pp. 69. 10c.)

Public Finance, Taxation, and Tariff

Public Finance. By CLYDE L. KING. (New York: Macmillan. 1935. Pp. x, 602. $3.75.)

According to the preface, "the purpose of this book is to bring up to date the recent shifts in public expenditures, in public income, and in public debts"; and in doing this, a considerable measure of success has been achieved. The necessary statistical material is profusely presented in charts, diagrams, tables, and the statistical matter bristling in the text. Quotations, not always well selected, are freely used.

The author has not succeeded in producing in a moderate space a textbook in public finance, while carrying a heavy load of statistical material. This task he has rendered impossible by devoting, in addition to a reasonably pertinent history of the United States tariff, more than 100 pages to principles of international trade and kindred subjects. Important as these matters are, their inclusion indicates an unusual concept of the field of public finance. The author has further altered the customary content of this subject by ignoring largely a more pertinent division, namely, fiscal administration.

There are other innovations. The first 190 pages offer a fittingly expanded treatment of public expenditures. Here is the best part of the entire book, which merits commendation for the practical social attitude toward the fiscal emergency. The chapter on the principles of expenditures is inadequate, as are the chapters on the principles of other divisions. Shifting and incidence of taxes are neglected, first, by the use of precious space for quotations pillorying, for example, the naïve tax doctrines of President Coolidge and, second, by the extraordinary brevity of the treatment. The chapter entitled "Some principles in a system of just taxation" is, if possible, even more inadequate. Fourteen points or principles, of very uneven value, are offered for the student. Ability to pay appears to be the principal rule accepted for tax apportionment; but nowhere is there a pointed definition or explanation of ability to pay. Oddly enough, the best discussion of principles seems to be found in the extraneous chapter entitled "Principles of international trade."

The author has not mastered all the details of bringing public finance up to date. For example, he has failed (p. 257) to bring the rapidly changing Minnesota classified property tax past 1930, due perhaps to his penchant for long quotations, which, while correct and accurate at the time, have been superseded by later developments. Elsewhere (beginning at p. 344), in the three pages dealing with bank taxation, two pages of which are quotations, there is quoted a proposed amendment to Section 5219, which was wrecked on the opposition of the bankers, an outcome not made clear by the text. Incidentally, one of the amendments to the present Section 5219 is misdated (p. 345); and it is misleadingly stated (p. 344) that

banks are taxed "on the present market value of their shares," a statement which ignores the fact of very important deductions.

The effort of the author to ride at least three horses does not prevent the book from being well worth reading. There is a very scanty bibliography, and almost no footnotes. Apparently little use has been made of the works of other writers. The most valuable parts of the book appear to be attributable to the practical administrative experience of the author.

JENS P. JENSEN

University of Kansas

NEW BOOKS

ALBERTI, M. *La finanza moderna.* Vol. I. *La evoluzione e la essenza tecnica del credito mobiliare.* (Milan: Antonino Giuffre. 1934. Pp. xiii, 336. L. 32.)

While ultimately both prices and credit structure depend upon supplies of and demands for goods and services, these terms are increasingly realized as phenomena of group dynamics in which the rôles of governmental policy and of social psychology are conditional factors. Signor Alberti's treatment is largely devoted to the continuous disequilibriums between demands for the economic output by capital and by consumption. Part I (90 pages) briefly analyzes the nature of credit and the structure of the banking systems of the ten most important commercial nations and trade areas. Part II (138 pages) considers the general theory of credit, its creation, functions, regulation and social significance. There is also some discussion of the general problems of credit creation and control in Italy under the contemporaneous theory of government. The social valuation of credit, when employed for private aggrandizement, provides a basis for some speculation by the author. Questions of economic fluctuations in relation to credit creation and use constitute the thesis of the single chapter in Part III. Part IV is devoted to arguments on the separation of commercial and investment credit. The author has not entered into a discussion of relationships between interest rates and business profits as they affect the flow of new funds, but his broad approach to financial analysis is most commendable.

F. F. BURTCHETT

DEY, H. L. *The Indian tariff problem in relation to industry and taxation.* (London: Allen and Unwin. New York: Peter Smith. 1933. Pp. 304. 16s.)

GIRARD, R. A. *The scope for uniformity in state tax systems.* Spec. rep. of State Tax Commission, no. 8. (Albany: State House. 1935. Pp. 229.)

GRIZIOTTO, B. *Vecchi e nuovi indirizzi nella scienza delle finanze.* (Padua: Milani. 1935. Pp. 114.)

HODES, B. *Essays in Illinois taxation.* (Chicago: Reilly and Lee. 1935. Pp. v, 149.)

MACLAREN, A. *The truth about the distressed areas.* (London: League of Taxation of Land Values. 3d.)

RÈPACI, F. A. *Le finanze dei comuni: i risultati della riforma della finanza locale.* Annali, vol. vi. (Bari: Istituto di Statistica. 1935. Pp. 178.)

WILMOT, J. *Labour's way to control finance.* (London: Methuen. 2s. 6d.)

Dominion of Canada and provincial loans and guarantees. (Toronto: Fry, Mills, Spence. 1935. Pp. 8.)

Financial statistics of cities having a population of over 100,000, 1933. (Washington: Supt. Docs. 1935. Pp. 17. 5c.)

Financial statistics of state and local governments, 1932 (wealth, public debt, and taxation). (Washington: Supt. Docs. 1935. Pp. 2016. $2.50.)

Massachusetts: the cost of municipal government in Massachusetts. 28th annual rep. on stat. of municipal finances for city and town fiscal years ending between November 30, 1933, and January 31, 1934. Pub. doc. no. 79. (Boston: State House. 1935. Pp. xxvii, 299.)

Taxation of motor vehicles in 1932. (Washington: Supt. Docs. 1935. Pp. 270. 35c.)

Tax problem in Wisconsin. (Milwaukee: Casper, Krueger, Dory. 1935. Pp. 163. $3.25.)

Population and Migration

NEW BOOKS

EDIN, K. A. and HUTCHINSON, E. P. *Studies of differential fertility in Sweden.* (London: P. S. King. 1935. Pp. 116.)

GOODRICH, C., ALLIN, B. W. and HAYES, M. *Migration and planes of living, 1920-1934.* Stud. of Population Redistribution, bull. no. 2. (Philadelphia: Univ. of Pennsylvania Press. 1935. Pp. viii, 111. $1.)

HALL, C. E., compiler. *Negro population, 1930: a listing of the 695 cities and urban places having 1,000 or more negro inhabitants.* (Washington: Supt. Docs. 1935. Pp. 6. Gratis.)

JONES, L. C. *The bottom rail: addresses and papers on the negro in the lowlands of Mississippi and on inter-racial relations in the South during twenty-five years.* (New York: Revell. 1935. Pp. 96.)

KUCZYNSKI, R. R. *The measurement of population growth.* (London: Sidgwick and Jackson. 1935. Pp. vi, 255. 12s. 6d.)

McGARRY, E. D. *Population shifts in Buffalo, 1920-1930.* Stat. Survey suppl., vol. x, no. 10a. (Buffalo: Univ. of Buffalo Bur. of Bus. and Soc. Research. 1935. Pp. 19.)

TANDY, E. C. *Comparability of maternal mortality rates in the United States and certain foreign countries: a study of the effects of variations in assignment procedures, definitions of live births, and completeness of birth registration.* Children's Bur. pub. no. 229. (Washington: Supt. Docs. 1935. Pp. 29. 5c.)

THOMPSON, W. S. *Population problems.* 2nd ed. (New York: McGraw-Hill. 1935. Pp. xi, 500.)

Mortality statistics, 1931: 32nd annual report. (Washington: Supt. Docs. 1935. Pp. 519. $2.)

Mortality statistics, 1932: 33rd annual report. (Washington: Supt. of Docs. 1935. Pp. 515. $2.50.)

New Zealand: statistical report on population and buildings for the year 1934-35. (Wellington: Census and Statistics Office. 1935. Pp. xi, 36. 2s. 6d.)

Provisional summary of live birth, infant mortality, and stillbirth statistics in the United States: 1934. (Washington: Supt. Docs. 1935. Pp. 23.)

Social Problems and Reforms

NEW BOOKS

ANDERSON, B. M., JR. *Death duties, enterprise and the growth of national capital: some observations on the pending tax legislation.* Chase Econ. Bull., vol. xv, no. 1. (New York: Chase National Bank of the City of N. Y. 1935. Pp. 22.)

BANERJEE, D. N. *The reforms scheme: a critical study.* (Calcutta: Longmans Green. 1935. Pp. v, 189.)

Lectures on constitutional reform in India.

BARR, J. H., editor. *Directory of social agencies of the City of New York, 1935.* Prepared under the direction of the Committee on Information Services of the Welfare Council. (New York: Columbia Univ. Press. 1935. Pp. 511. $3.)

BEARD, C. A. *An economic interpretation of the Constitution of the United States.* New introd. (New York: Macmillan. 1935. Pp. 351. $2.)

BINING, A. C. and BINING, D. H. *Teaching the social studies in secondary schools.* (New York: McGraw-Hill. 1935. Pp. 432. $3.)

BOARDMAN, F. W., JR. *Community study, social work and books.* (New York: Columbia Univ. Press. 1935. Gratis.)

BRAINARD, D. S. and ZELENY, L. D. *Problems of our times.* Vol. I. *Fundamental national issue.* (New York: McGraw-Hill. 1935. Pp. 199. 96c.)

BRITTEN, R. H. *The relation between housing and health.* Reprint no. 1656 from pub. health reports, vol. 49, no. 44. (Washington: Supt. Docs. 1935. Pp. 13. 5c.)

BURDINE, J. A. *National-state coöperation.* Arnold Found. stud. in pub. affairs, vol. iii, no. 3. (Dallas: Southern Methodist Univ. 1935. Pp. 25.)

CARVER, T. N., and others. *Our economic and community life.* (Philadelphia: Winston. 1935. Pp. 766. $1.60.)

CHAPIN, F. S. *Contemporary American institutions: a sociological analysis.* (New York: Harper. 1935. Pp. xviii, 423. $2.75.)

CHERINGTON, P. T. *People's wants and how to satisfy them.* (New York: Harper. 1935. Pp. xiv, 185. $2.)

CHRISTIE, A. C. *Economic problems of medicine.* (New York: Macmillan. 1935. Pp. ix, 242. $2.)

COOK, K. M. O. and REYNOLDS, F. E., compilers. *Good references on the curriculum and social change.* Office of Educ. bibl. no. 29. (Washington: Supt. Docs. 1935. Pp. 10.)

ENGELS, F. *The housing question.* (New York: Internat. Pubs. 1935. Pp. 103. $1.)

FORD, P. *Work and wealth in a modern port: an economic survey of Southampton.* (London: Allen and Unwin. New York: Peter Smith. 1934. Pp. 223. 10s. 6d.)

FOSTER, E. M., and others. *Statistics of higher education, 1931-32.* Office of Educ. bull. 1933, no. 2, ch. 3. (Washington: Supt. Docs. 1935. Pp. 407. 25c.)

FREUDENBERG, H. E. *Die Subventionen als Kreislaufproblem in Marktwirtschaft und Staatswirtschaft.* (Tübingen: Mohr. 1934. Pp. vi, 96. RM. 6.)

Although subsidies in many forms have lately become more frequent and important than they have been for some time, the literature is still very poor; to my knowledge, no really exhaustive treatise has yet been published. The present book does not fill this gap, but it can well serve as a useful introduction to the problem. The book approaches the subject from a rather novel point of view. The author does not question whether or not subsidies can be defended from the point of view of economics, and whether the ends achieved justify the losses involved. He rejects such reasoning as emanating from individualism ("privatwirtschaftlich-individualistisches Denken") and accepts action by the State without further discussion as justified and necessary since the State's expenditures are decided upon on the basis of the interests of the community

from the viewpoint of the bearers of governmental power ("das gesamtstaatische Interesse im Sinne der Träger der staatlichen Macht"). He does not enter into any discussion as to how these decisions are arrived at and by whom they are influenced. He classifies the various methods of subsidies and their different significance (a more detailed account of the different forms of subsidies, particularly in recent times, would have been helpful), and analyzes their economic effects on the various elements of an individualistic, capitalist economic system. His definitions are sometimes not very precise and clear (it is going much too far, on the basis of his own definition, to call public works subsidies!). His style is fluent but sometimes too broad; the chapter on subsidies financed by increasing the currency is hardly understandable.

OTTO NATHAN

FRIEND, M. R. *Earning and spending the family income: a textbook in home economics.* Rev. ed. (New York: Appleton-Century. 1935. Pp. 475. $2.)

GILFILLAN, S. C. *The sociology of invention.* (Chicago: Follett Pub. Co. 1935. Pp. xiii, 185.)

GLADELLE, E. *La victoire sur la crise.* (Paris: Alcan. 1935. Pp. 232. 15 fr.)

GREAVES, I. C. *Modern production among backward peoples.* (London: Allen and Unwin. 1935. Pp. 229. 10s. 6d.)

HADSELL, R. S. *Developing intelligent consumers: projects in consumer economics.* (Hiram, Ohio: Author. 1935. Pp. 16. 15c.)

An interesting list of questions and projects relating to problems of consumption of economic goods, designed more particularly for high-school students. A serviceable bibliography is added.

HALL, F. S., editor. *Social work year book, 1935: a description of organized activities in social work and in related fields.* 3rd issue. (New York: Russell Sage Foundation. 1935. Pp. 698. $4.)

This year book is more strictly an encyclopedia—a description of organized activities in social work—than it is a year book. Published biennially, the editors eschew controversial discussions. As they put it, "The Year Book is not a manual of what ought to be; it is a record of what is." Instead of providing a discussion of social problems, it aims to assist social workers when in need of current information concerning fields and agencies outside of, yet related to, their own. The material is divided into twelve groups or topics as follows: major divisions of social work; families or adult individuals; children; handicapped, racial, and foreign groups; mental hygiene; health; industry; crime and penal conditions; leisure-time activities; social planning and related activities; research and professional problems; social work under specified auspices or in specified areas.

While most of the articles are limited to the United States, the present issue contains an article on European social work by René Sand and another on international social case work by George L. Warren. Much assistance may be derived from references to literature appended to the topical articles. These lists, comprising 1,502 books and pamphlets and 386 magazine articles probably is one of the most up-to-date and comprehensive in existence.

Part 2 contains a directory of 413 national and international agencies, public and private, 526 public state agencies, and 51 state-wide private agencies.

EDWIN S. BURDELL

HENDERSON, A. *Labour's way to peace.* (London: Methuen. 2s. 6d.)

HUGHES, R. O. *Economic citizenship.* (Boston: Allyn and Bacon. 1935. Pp. xiv, 349.)

HUTTON, G., editor. *The burden of plenty.* (London: Allen and Unwin. 4s. 6d.)

HUUS, R. O. *Financing municipal recreation.* (Menasha: Banta Pub. Co. 1935. Pp. xxiii, 249. $2.50.)

An increasing appreciation of the part that physical activity plays in both the personal and commercial aspects of human lives has been instrumental in bringing about a profound change in the nature of public recreation in our cities.

The purpose of this study as stated by the author, "is to consider the problems of municipal recreation in the light of approved financial practices and to discuss critically the bases used in deriving revenues and in making expenditures." This book is particularly timely for those interested in the problems of public administration as well as those interested from the standpoint of a professional worker in public recreation. Active recreation is among the first of the municipal activities to feel the axe of retrenchment. In many cities during the present depression, this function has been badly crippled, or done away with altogether. Therefore, a discussion of the planning of municipal recreation activities in relation to existing and possible income sources and to expenditures is most opportune. The background of the study was a field survey of municipal recreation in 21 eastern and middle-western cities, as well as an analysis of 188 recent recreation budgets.

EDWIN S. BURDELL

ISRAELI, N. *Outlook upon the future of British unemployed, mental patients, and others.* (New York: Author, 1236 50th St. 1935. Pp. 30.)

A psychopathic research carried out under a fellowship of the Social Science Research Council.

JOHNSON, J. E., compiler. *Socialization of medicine.* Ref. shelf, vol. 10, no. 5. (New York: Wilson. 1935. Pp. 335. 90c.)

JORGENSEN, E. O. *The stagnation of industry: its cause and cure.* (Elkhart, Ind.: Bell. 1935. Pp. xxii, 225.)

JUDD, C. D. *Traffic in armaments.* Arnold Found. stud. in pub. affairs. (Dallas: Southern Methodist Univ. 1934. Pp. 29.)

KENNEDY, A. J., and associates. *Social settlements in New York City: their activities, policies, and administration.* (New York: Columbia Univ. Press, for the Welfare Council of N.Y. 1935. Pp. xix, 599.)

LANSBURY, G. *Labour's way with the commonwealth.* (London: Methuen. 2s. 6d.)

LIPPINCOTT, B. E., editor. *Government control of the economic order: a symposium.* (Minneapolis: Univ. of Minnesota Press. 1935. Pp. viii, 119. $1.75.)

LIPPMANN, W. *The new imperative.* (New York: Macmillan. 1935. Pp. 52. $1.25.)

LORD, E. W. *A plan for self-management.* Rev. ed. (New York: Ronald. 1935. Pp. viii, 215. $2.)

MILLSPAUGH, A. C. *Public welfare organization.* (Washington: Brookings Inst. 1935. Pp. xxv, 700. $3.50.)

This volume, as stated in the director's preface, is a study in the administration organizations and techniques that have been evolved in administering the public welfare activities of the different levels of government. Part 1 deals

with the social needs that have arisen, causes of social maladjustment and private organizations that have been established to cope with the problems that present themselves. The functions of social work are many-sided and the following groups seem rather distinguished from each other: the adult delinquent, the mentally diseased, the dependent and economically insecure, the physically diseased and handicapped, and the child.

In Part 2 the characteristics of the state and local welfare organizations are discussed. Examples are given of states operating under partially centralized organizations and of others operating a completely integrated system. Only five states fall into the latter group and in each of these states the integrating agency is an administrative board. Four types of local public welfare organizations are distinguished. These vary from the traditional county agency to child welfare or public welfare boards vested with broad social service functions. This classification is followed with an analysis of the various types of agencies. A special chapter is devoted to agencies designed to meet the problems of unemployment. Child welfare in its broader sense, the author states, is still the responsibility largely of private agencies both philanthropic and non-philanthropic. A brief sketch is given of the public organization for each of the eight aspects of child welfare.

The author says that state welfare agencies may be separate from other agencies but nowhere are they absolutely independent. A variety of forms of control has been established. Out of 495 controlling and directing welfare agencies only 150 are clearly controlled by the governor. Many students of administration, however, think that these agencies should constitute divisions in executive departments for which the governor has responsibility. Various attempts to coördinate state agencies have been made. The types of coördination are classified as formal or informal, occasional or regular, mandatory or permissive, provided by law or not provided by law. After examining state public welfare organization rather minutely, the writer concludes that we have as yet no precise means of measuring the relative efficiency of the different forms of organization.

In his study of county welfare agencies the author reaches the conclusion that state-local relationships are important and that local unpaid boards are desirable. A county-manager plan as a general administrative system should be approached with great caution. There are serious disadvantages as well as advantages. Among the federal social welfare agencies it is especially desirable to coördinate the work of the Children's Bureau, the Public Health Service and the Office of Education. Reorganization must proceed in the direction of integration of welfare activities and it is important to select key problems for attack. Eventually all fields of public administration should be viewed as a whole; unified planning is essential.

Throughout the book we find the author cautious in judgments and open-minded, but nevertheless constructive in attitude and in his suggestions.

GEORGE B. MANGOLD

MORENO, J. L. *Who shall survive? A new approach to the problem of human interrelations.* Disease-monog. ser. no. 58. (Washington: Nervous and Mental Diseases Pub. Co. 1934. Pp. 440.)

NAVA, S. *Prime linee di una teoria dell' espansione e della colonizzazione.* (Siena: Circolo Giuridico della R. Università. 1934. Pp. 86.)

Delicate balances cannot long be preserved between international socio-

economic forces which continually vary in unpredictable ways: the resultant perturbances of the equilibria generate conflict. In periods of less portentous strife the conquest is social in nature, being conducted along political, economic or cultural lines; the process is dubbed trade expansion, missionary activity, or educational enlightenment. To cases of organized activity the general terms colonization and national expansion are frequently applied, the former referring to the processes, the latter to the goal. This brief essay of 86 pages contains both an epitome of the author's own travels and observations, and the gist of a good many other writers upon state growth. If any principle dominates the essay, it is that of the promotion of sociological and economic welfare by a strong central government. The basic forces in national expansion are considered to be political, economic, and moral; the strategy delineated suggests that attention be given to the historical background of the area to be colonized, its religious, political, philosophical and intellectual culture. The process must conserve existing interests which associate the new area to the expanding state, must extend the growth of new associative interests, and exclude or destroy conflicting interests. Population pressure plus excess capital are made prime requisites to successful colonization, though the meaning of the former term is not defined.

F. F. BURTCHETT

NEWMAN, B. J. *Housing in Philadelphia, 1933.* (Philadelphia: Philadelphia Housing Assoc. 1934. Pp. 38.)

PATTERSON, S. H. *Social aspects of industry: a survey of labor problems and causes of industrial unrest.* 2nd ed. (New York: McGraw-Hill. 1935. Pp. xviii, 578. $3.)

Every chapter of this study, first published in 1929, has been reworked. Up-to-date statistics have been included, and there is a glowing account of the New Deal. In some chapter sub-headings the effect of the intervening six years is apparent. Thus "Increased productivity of labor" of 1929 becomes simply "Productivity of labor"; and "Labor's share in our increased prosperity" becomes "Labor's share in our national prosperity." Unaccountably, "Social unrest" has been changed to "Social adjustment"; and "Problem of adjustment" is now "The elimination of maladjustments." But the tone and arrangement of the book are practically identical with those of the earlier edition. The approach and the conclusions remain as conservative as ever. Failure to recast the chapter on population, so as to put less emphasis on immigration and more on problems of birth and death rates and the optimum population, must be considered a defect. Few nowadays will follow Professor Patterson in his continued faith in employee stock ownership plans.

HORACE B. DAVIS

RECHT, C. *The right of asylum.* (New York: Social Economic Found. 1935. Pp. 35. 15c.)

RYAN, F. L. *The rehabilitation of Oklahoma coal mining communities.* (Norman: Univ. of Oklahoma Press. 1935. Pp. 120. $1.50.)

RYAN, J. A. *A better economic order.* (New York: Harper. 1935. Pp. ix, 194. $2.50.)

This book is devoted to three main topics: depression, recovery and reconstruction. The theory of depression elaborated follows quite closely the one associated with John A. Hobson and his school. As to recovery, the importance

of low income groups in maintaining consumption is stressed. As to reconstruction, Father Ryan rejects socialism, communism and fascism and proposes an industrial democracy as a form of society resting upon and permeated by definite ethical principles such as that the earth and its potentialities belong to all members of the human race, that men are morally obliged to use the goods and the opportunities of the earth in accordance with the laws of justice and charity, and that "it is better to have property private, but make the use of it common." He claims that neither the theory of individualism nor the theory of liberalism is in harmony with these ethical principles. Public ownership to some extent, profit sharing, ownership sharing, and sharing in the management are suggested as means to bring about a new order. The proposed plan is a sort of modified capitalism.

GEORGE M. JANES

RYDER, A. *The partnership way out.* (New York: Harper. 1935. Pp. 189. $2.50.)

SMITH, H. A., editor. *Great Britain and the law of nations.* Vol. II. *Territory.* Part I. (London: P. S. King. 1935. Pp. x, 422. 16s.)

STORMZAND, M. J. and LEWIS, R. H. *New methods in the social studies.* (New York: Farrar and Rinehart. 1935. Pp. ix, 223.)

SWING, R. G. *Forerunners of American fascism.* (New York: Messner. 1935. Pp. 168.)

VOLPICELLI, A. *Corporativismo e scienza giuridica.* (Firenze: Sansoni. 1934. Pp. viii, 203. L. 15.)

As a science economics has developed essentially as a philosophy of the material welfare of man, socially considered; law has evolved as a system of individual rights logically applied to particular men. The contemporary conflict between economics and law in their traditional conceptions will eventually modify both. In fact, corporativism represents a bold attempt to create a tenable middle ground upon an extended system of administrative law. In this extended system the legal student is tempted to find too much economics to conform to his notion of proper law; and the economist sometimes finds in it too much law to permit him to accept it as sound economics. Directly and indirectly, Signor Volpicelli applies these propositions with such meticulosity of reasoning as may discourage many students from reading what is really a meritorious essay. Once the author establishes his axiom (p. 20) that, in all modern societies, the individual and the group are indissolubly combined, he proceeds toward the Benthamite principle of the greatest happiness to the greatest number by objective limitations (p. 137) upon individual liberty. No mere abstract metastasis is contemplated in applying such limitations; the author proposes scientific analysis, critically and impassionately applied to the concrete facts of the practical problems of everyday economic life.

F. F. BURTCHETT

WELLS, H. G. *The new America the new world.* (New York: Macmillan. 1935. Pp. 78. $1.)

WHITNEY, J. S., compiler. *New and supplementary facts and figures about tuberculosis.* (New York: Nat. Tuberculosis Assoc. 1935. Pp. 46. 50c.)

WRIGHT, H. *Rehousing urban America.* (New York: Columbia Univ. Press. 1935. Pp. xxii, 173.)

Economia corporativa. Contributi dell' Istituto di Scienze Economiche. Serie 1. (Milan: Univ. Cattolica del Sacro Cuore. 1935. Pp. 237.)

Employment of prisoners. Part II. *Employment on discharge.* Report of the Departmental Committee. (London: H. M. Stationery Office. 1935. Pp. 75. 1s. 3d.)

Essays in social economics in honor of Jessica Blanche Peixotto. (Berkeley: Univ. of California Press. 1935. Pp. 363. $2.)

List of books on social reconstruction. First pub. in *The New Republic,* June 12, 1935. (New York: Book Group, 386 4th Ave. 1935. Pp. 15. 10c.)

National planning and rural life. Proc. of the 17th American Country Life Conference, Washington, D.C., November 16-19, 1934. (Chicago: Univ. of Chicago Press. 1935. Pp. 156.)

National public works: addendum. (Geneva: League of Nations. New York: World Peace Foundation. 1935. Pp. 226. $2.)

This supplements Volume I, published in 1934, which contains replies of 29 governments on public works undertaken since 1928. The information thus gathered relates to: the principal administrative methods followed; the principal methods of financing; the allocation of expenditure on execution of the works as between materials and equipment on the one hand and labor on the other; the governments' opinion with regard to the effects obtained or expected on the resumption of economic and industrial activities and on unemployment.

This second volume contains the replies of nine additional countries.

Report of the New York State Board of Housing. Legis. doc. no. 41. (Albany: State House. 1935. Pp. 72.)

Slums and blighted areas in the United States. Fed. Emergency Admin. of Pub. Works, Housing Div. bull. no. 1. (Washington: Supt. Docs. 1935. Pp. 126. 15c.)

Special areas (England and Wales). Special areas in Scotland. Reports of investigations into the industrial conditions in certain depressed areas of I, West Cumberland and Haltwhistle, II, Durham and Tyneside, III, South Wales and Monmouthshire, IV, Scotland. (London: H. M. Stationery Office. 1935; 1935; 1934. Pp. viii, 106; 34, 240. 2s.; 6d.; 3s. 6d.)

Studies of "special areas" relating to industry, public works, agriculture, and measures for social improvement. Of interest as to effects on unemployment.

Unemployment among young persons. Suppl. rep. (Geneva: Internat. Labour Office. 1935. Pp. 26.)

What the economic security program means to you. (Washington: Supt. Docs. 1935. Pp. 8.)

Work relief projects of the public works type in the State of New York: an estimate of their worth and of the effectiveness of their management and prosecution. (New York: Governor's Commission on Unemployment Relief, 79 Madison Ave. 1935. Pp. 108.)

"The conduct of about 8 per cent of the projects examined deviated materially from approved engineering and construction practice, and an additional 8 per cent were deficient in this respect but in a lesser degree. . . . An approximate rating of the overall efficiency prevailing upon each project, with reference to an assumed efficiency of 100 per cent under average contract methods, revealed a wide range of findings and an average level of 74.8 per cent efficiency. . . . Higher efficiency prevails on some project types than on

others; the showing in up-state New York is appreciably better than in New York City; but the size of project does not appear to have a major influence upon the efficiency attained. It is estimated that the completion of an improvement upon a work relief basis, on the average, costs roughly 35 per cent more than its cost would be under average contract methods (provided no allowance is made for the fact that the workers require relief in some form in any event). Less than 5 per cent of the projects examined manifested finished work of poor quality. Some of the work is excellent, and the bulk of it is satisfactory. The reasonably low incidence of poor quality in the finished product is a finding of major significance."

Insurance and Pensions

NEW BOOKS

CAMPBELL, D. A. *Workmen's compensation: principles, practice and insurance.* Vols. I and II. (Los Angeles: Parker, Stone and Baird. 1935. Pp. 2107. $25.)

DU BOIS, F. R. *Unutilized possibilities of inland marine insurance.* Insur. manag. ser., 20. (New York: Am. Manag. Assoc. 1935. Pp. 23. 50c.)

HUEBNER, S. S. *Life insurance: a textbook.* Rev. and enl. in collaboration with G. L. AMRHEIN and C. A. KLINE. (New York: Appleton-Century. 1935. Pp. 717. $3.50.)

JAMES, H. *The present status of teachers' pensions.* Address delivered at 21st annual meeting of the Assoc. of Am. Colleges, Atlanta, Georgia, January 17, 1935. (New York: Teachers Insur. and Annuity Assoc. of America, 522 Fifth Ave. 1935. Pp. 15.)

JOHNSEN, J. E., compiler. *Old age pensions.* (New York: Wilson. 1935. Pp. 295.)

MACKAY, G. R. and ACKERMAN, S. B. editors. *Cyclopedia of insurance in the United States.* 45th annual ed. (New York: Index Pub. Co. 1935. Pp. 809. $3.)

MACLEAN, J. B. *Life insurance.* 4th ed. (New York: McGraw-Hill. 1935. Pp. xii, 610. $4.)

"During the three years which have elapsed since the publication of the third edition of this text, conditions affecting life insurance have been abnormal and have resulted in important developments both in the terms of life insurance contracts and in the operation of the companies. This situation has necessitated revision of many parts of the text." Additional attention is given to Canadian practice.

WANDEL, W. H. *The control of competition in fire insurance.* (Lancaster, Pa.: Author, Art Printing Co. 1935. Pp. 160.)

WILLIAMSON, W. R. *Social insurance legislation.* Insur. ser., 21. (New York: Am. Manag. Assoc. 1935. Pp. 38. 75c.)

National Board of Fire Underwriters. Proc. of the 69th annual meeting, New York City, May 23, 1935. (New York: Nat. Board of Fire Underwriters. 1935. Pp. 154.)

The operation of the Oregon Old-Age Pension act: a study of applications and pensions in 1934. Commonwealth serv. ser., vol. i, no. 3. (Eugene: Univ. of Oregon. 1935. Pp. 20.)

The opportunity in life underwriting: a study of the work of the life underwriter designed to guide the man who is seeking a permanent and profitable lifetime career. (Indianapolis: R and R Pubs. 1935. Pp. 127.)

Pauperism, Charities, and Relief Measures

The Legacy of the Rural Guardians: A Study of Conditions in Mid-Essex. By George Cuttle. (Cambridge, England: W. Heffer. 1934. Pp. viii, 384. 15s.)

Since phylogeny follows in the shadow of ontogeny, a whole social panorama may sometimes be revealed through the microscopic study of an individual segment. George Cuttle has examined the poor-law administration of six unions, covering a mere 647 square miles in mid-Essex, from the 1890's to the 1930's. In presenting his minute anatomical sketch he has in fact portrayed the whole of English poor relief during the period of economic metamorphosis. Poor relief in Essex in 1894 flowed largely in the channels dug by Queen Elizabeth in 1602; its rural tradition was carried on by the guardians who were still squires and clerics. By 1930 part of the district had become suburban and industrialized; the physical and mental problems of the poor were dwarfed by their economic difficulties; local care of the indigents was a minor item in a vast program of national relief and social security.

In an economics of scarcity, destitution was a retail problem; over a mere three or four decades it became wholesale. In the earlier years of the period studied, then, the emphasis centers largely on the personally incapacitated: the aged and the young, the physically and mentally sick, the vagrants and the derelicts. Both cause and treatment were somewhat individual. Unemployment was relatively so small a problem that a stoneyard was seldom necessary to supply work. Beginning in the trade depression of 1921, however, larger and larger extra-mural work projects had to be developed; the growing mass of unemployed demanded something akin to living wages; the guardians had to be subsidized. But the study ends on a minor chord: in 1931 subsidies were decreasing; more of the destitute were "sleeping rough" in the hedges; suicides were mounting.

Mr. Cuttle has not attempted to write an historical treatise; his material is not digested, is only superfically organized. He has rather compiled a a social commentary: he has gleaned quantities of material from the record and account books of the guardians and from local newspapers. Some of the most interesting of this he presents in numerous appendices—brief case histories and some statistics—which give the reader the feel of the situation. The entire account is objective and impersonal; it advocates no social or economic nostrum, seldom discusses the larger aspects of poor relief except from the local perspective, and makes few suggestions for change. Possibly this study was inspired by the preface to *English Poor Law History;* the Webbs there bemoan the absence of systematic study of local archives and confess in effect that the thinness of their own treatment of

nineteenth-century conditions may be ascribed to this absence. Mr. Cuttle has answered the Webbs' prayer; he has added a gargantuan footnote to their study.

GEOFFREY MAY

Family Service Society of Richmond, Richmond, Virginia

NEW BOOKS

The administration of home relief in New York City. (New York: Governor's Commission on Unemployment Relief, 79 Madison Ave. 1935. Pp. 122.)

Neighbors in need: a survey of 10,000 relief families in New Jersey. Report no. 1. (Newark: State of N. J. Emergency Relief Admin. 1935. Pp. 79.)

The State Relief Commission of Ohio and its activities, including a photographic record of certain work relief projects. (Columbus: State House. 1935. Pp. 104.)

Socialism and Co-operative Enterprises

Deutscher Sozialismus. By WERNER SOMBART. (Berlin: Buchholz und Weisswange. 1934. Pp. xvi, 347. RM 6.30.)

This work is not, as might be inferred from the title, a critical history of socialism in Germany but a proposal for a socialized or planned economy for Germany. Sombart indicts capitalism on many counts, its ugliness, urban concentration, uniformity, vulgarization of taste, and the proletarization of the bulk of the population. In the nineteenth century, the economic era, *par excellence,* spiritual values were submerged by the capitalistic motive of unlimited profit-seeking without regard to social consequences. For all but a favored few, it destroyed the joy in life, the joy in work and the sense of personal achievement and dignity in economic activity which characterized earlier periods. These values can again be restored since laissez-faire capitalism is dead and must be replaced by a controlled economy. The essential problem is not how to develop techniques for the control of production, prices, and distribution, but to determine the aims of the new society.

The Marxian solution is rejected outright, for in addition to its faulty economic theory, it suffers from the same exaltation of materialism (in the metaphysical and vulgar senses) above personal and cultural values, as has recent capitalism. The applied Marxism of Russia even glorifies the deadening machine process, worships mere bigness, and stamps out individuality in the fanatical belief that the doctrines of *Das Kapital* are the alpha and omega of social thought and feeling. Unlike the Marxists, who assume a substantially uniform mental and economic process for all places, Sombart emphasizes the necessity of formulating individual plans for each nation, so that due weight can be given to its economic situation, and to the traditions and cultural level of its people. There are two other reasons why

the plan must be national. It requires the power of the state for its operation, and practically, each nation must be more or less self-contained because the international trade of the last century, based on exports from the more developed to the less developed nations, cannot be restored today, even disregarding the complications of monetary and trade policies.

Hence a German plan must be based on the German "spirit" and must regard as fundamental the activity, the sense of duty, the love of family life, of personal independence and individuality of the Germans. So many differences exist in their racial, religious, and cultural traditions, *e.g.*, Prussians and Swabians, Catholics and Protestants, peasants, craftsmen, and industrial workers, that a feasible socialist scheme must allow considerable regional autonomy and personal freedom in action, thought, and expression. To discard the foreign contributions of the past and to ignore them in the future would only impoverish national life. His own debt to foreign ideas is apparent on every page in reference or quotation in French, English, Italian, Latin, and Greek.

Concretely, his economics calls for public ownership of banking, transportation, mining, munitions and other large-scale industries where operation for profit may be inimical to public welfare. The private sector, small-scale industry, trade, and agriculture, is to be controlled through supervision of the cartels, formation of coöperatives, extended social legislation, and bank policy. For the most part, he favors the revival of crafts, extension of peasant proprietorship, settlement of the unemployed in the eastern provinces. Gardens for industrial workers and the revival of family and domestic industry are far preferable to the artificial programs of recreation in Russia and Italy, especially since there is less need for general education or the inculcation of political dogma in an advanced country whose policies are based on the "spirit" of its people. The position of labor in the public industries would be like that of civil servants, while collective bargaining and administrative determination of wages and conditions would give similar security and responsibility to workers in the private sector. Throughout this program looms the problem of the national food supply under present world conditions. Sombart frankly admits, as most national planners do not, that this program in the long run involves a lower standard of living than where production is governed by the law of comparative advantage. It is inevitable, and furthermore, desirable. Security is preferable to opulence, and only the recent past sacrificed to wealth, the values of contentment, independence, and family life.

Is Sombart's proposal socialism or fascism? Obviously it allows greater scope to private enterprise than Russia. It turns its back on unlimited technological advance. It is not fascism, if by fascism is understood, or misunderstood, coercive maintenance of the *status quo* in the interest of property. He

rejects the popular fascist organismic state theories, corporative organization, and the charismatic sanction for the authoritarian principle. He would go farther than the dictators when he says that the state must override the will of even the vast majority under certain circumstances.

A work of this sort in the peripheral zones of economics, politics, ethics, and art cannot be judged by purely logical or scientific canons. Much depends on individual points of view. Here and there, there is evidence of "hedging" approaching casuistry. It may be discretion. Many will disagree with its historical judgments. To the neo-Marxians of all shades, it will appear as arrant nonsense or romantic twaddle at best. Those more sympathetic to Sombart's sentiments will regard it as an important book, which discusses fundamental issues significantly and which formulates a practicable solution to some pressing questions. It seems clear that his program could be put into effect with less friction than the current policies of Russia, Italy, or Germany, while to other nations it may indicate a way which leaves some scope for freedom and individuality, if not for economic individualism. There is even a possibility that it could be used under an intelligent parliamentary system.

HENRY J. BITTERMANN

Ohio State University

NEW BOOKS

ATTLEE, C. R. *The will and the way to socialism.* (London: Methuen. 2s. 6d.)

BEER, M. *Fifty years of international socialism.* (New York: Macmillan. 1935. Pp. 239. $2.)

BROWDER, E. *Communism in the United States.* (New York: Internat. Pubs. 1935. Pp. xii, 352. $2.)

Largely a collection of articles, speeches, and reports by the general secretary of the Communist party of the United States. The New Deal is severely criticized, as wéll as fascistic policies. The objectives of communism are clearly presented.

FAINSOD, M. *International socialism and the World War.* (Cambridge: Harvard Univ. Press. 1935. Pp. xi, 238. $2.50.)

FRANK, H. *Nationalsozialistisches Handbuch für Recht and Gesetzgebung.* (Munich: Franz Eher. 1935. Pp. xxxii, 1604. RM. 28.50.)

KRZYCKI, L. *The unions and the socialists.* (Chicago: Socialist Party. 1935. Pp. 15. 5c.)

LOZOVSKY, A. *Marx and the trade unions.* (New York: Internat. Pubs. 1935. Pp. 188. $1.75.)

Shows that Marx welcomed the trade-union movement as an ultimate aid to socialism.

MORRISON, H. *An easy outline of modern socialism.* 2nd ed. (London: Labour Party. 1935. Pp. 16. 2d.)

ZÉVAÈS, A. B. *Le socialisme en France depuis 1904.* (Paris: Fasquelle. 1934. Pp. 186.)

Statistics and Its Methods

NEW BOOKS

ANDERSON, O. N. *Einführung in die mathematische Statistik.* (Vienna: Julius Springer. 1935. Pp. v, 314. RM. 23.60.)

DAVIS, H. T. and NELSON, W. F. C. *Elements of statistics, with application to economic data.* (Bloomington, Ind.: Principia Press. 1935. Pp. 435. $4.)

ODELL, C. W. *Statistical method in education.* (New York: Appleton-Century. 1935. Pp. xx, 457.)

PETERS, C. C. and VAN VOORHIS, W. R. *Statistical procedures and their mathematical bases.* (State College: Pennsylvania State Coll. School of Educ. 1935. Pp. vii, 363.)

Annali dell'Istituto di Statistica. Vol. VII. (Bari: Regia Univ. degli Studi "Benito Mussolini." 1935. Pp. 99.)

Central Statistical Board: first annual report for the year ended December 31, 1934. (Washington: Supt. Docs. 1935. Pp. x, 50. 10c.)

Cumulative index to the Statistical Bulletin of the Metropolitan Life Insurance Company. Vols. I-XV. (New York: Metropolitan Life Insur. Co. 1935. Pp. 28.)

PERIODICALS

General Works, Theory and Its History

Amoroso, L. *La produzione in regime di concentrazione industriale.* Riv. Ital. di Sci. Econ., Mar.-Apr., 1935. Pp. 7.

————. *La dynamique de la circulation.* Econometrica, Oct., 1935. Pp. 11.

Beard, C. A. *The social sciences in the United States.* Zeitschr. f. Sozialforschung, Jahrg. iv, Heft 1. Pp. 5.

von Beckerath, H. *Economics and politics.* Social Forces, Oct., 1935. Pp. 11.

Bordin, A. *Il significato di alcune moderne teorie matematiche della dinamica economica.* Giorn. d. Econ., July, 1935. Pp. 32.

Courtin, R. *Essai sur la thérapeutique de crise.* Rev. d'Econ. Pol., July-Aug., 1935. Pp. 54.

Dempsey, B. W. *Just price in a functional economy.* Am. Econ. Rev., Sept., 1935. Pp. 16.

Dupriez, L. H. *Einwirkungen der langen Wellen auf die Entwicklung der Wirtschaft seit 1800.* Weltwirtsch. Archiv, July, 1935. Pp. 12.

Fasiani, M. *Fluttuazioni economiche e economia corporativa.* Annali di Stat. e di Econ., Anno ii, vol. iii. Pp. 66.

Fisher, A. G. B. *The economic implications of material progress.* Internat. Lab. Rev., July, 1935. Pp. 14.

Fellner, V. *A természetes kamat, mint a megtakarítások határtermelékenysége (The natural rate of interest as the marginal productivity of savings).* Közgazdasági Szemle, May, 1935. Pp. 19.

Foà, B. *Quantità economiche e teoria corporativa.* Giorn. d. Econ., Aug., 1935. Pp. 8.

————. *Il profitto nel sistema corporativo.* Annali di Stat. e di Econ., Anno ii, vol. iii. Pp. 16.

Galli, R. *Questioni di metodologia negli studi economici.* Riv. di Pol. Econ., June, 1935. Pp. 9.

Hartkemeier, H. P. *Note on shifts in demand and supply curves.* Econometrica, Oct., 1935. Pp. 7.

Hauser, H. *L'oeuvre scientifique de quelques économistes étrangers:* VII. *Werner Sombart.* Rev. d'Econ. Pol., July-Aug., 1935. Pp. 23.

von Hayek, F. A. *The maintenance of capital.* Economica, Aug., 1935. Pp. 36.

Heller, F. *Navratil Ákos közgazdasági rendszere (Ákos Navratil's economic system).* Közgazdasági Szemle, May, 1935. Pp. 11.

Hicks, J. R. *Wages and interest: the dynamic problem.* Econ. Jour., Sept., 1935. Pp. 13.

Higgins, B. H. *A note on the relationship between economics and psychology.* Manchester School, vol. vi, no. 1. Pp. 3.

Hubernagel, G. *"Der Universalismus in Sozialreform und Gennossenschaftswesen" bei V. A. Huber.* Schmollers Jahrb., Aug., 1935. Pp. 24.

Hutt, W. H. *The nature of aggressive selling.* Economica, Aug., 1935. Pp. 23.

Isaacs, N. *A brief view of Pareto.* Bull. Harvard Bus. School Alumni Assoc., July, 1935. Pp. 3.

Klab, P. *Zum Gesetz vom abnehmenden Bodenertrag.* Weltwirtsch. Archiv, Sept., 1935. Pp. 47.

Lange, O. *Marxian economics and modern economic theory.* Rev. Econ. Studies, June, 1935. Pp. 13.

Le Rossignol, J. E. *Six years of economic heresy.* Banking, Sept., 1935. Pp. 4.

Lutz, F. *Zur Theorie des Geldmarktes.* Weltwirtsch. Archiv, Sept., 1935. Pp. 32.

Machlup, F. *The commonsense of the elasticity of substitution.* Rev. Econ. Stud., June, 1935. Pp. 12.

————. *Interest as cost and capitalization factor.* Am. Econ. Rev., Sept., 1935. Pp. 7.

Mandelbaum, K. *Neue Literatur zur Planwirtschaft.* Zeitschr. f. Sozialforschung, Jahrg. iv, Heft 1. Pp. 14.

Manoïlesco, M. *Arbeitsproduktivität und Aussenhandel.* Weltwirtsch. Archiv, July, 1935. Pp. 31.

MAZZEI, J. *La contradizione fisiocratica.* Riv. Ital. di Sci. Econ., Mar.-Apr., 1935. Pp. 20.
MICHELS, R. *Vulgärökonomie und Nationalökonomie.* Jahrb. f. Nationalök. und Statistik, Aug., 1935. Pp. 20.
MURCHISON, C. *Revising Adam Smith.* Va. Quart. Rev., Oct., 1935. Pp. 10.
NURSKE, R. *The schematic representation of the structure of production.* Rev. Econ. Studies, June, 1935. Pp. 13.
OHLIN, B. *International trade and monetary policy.* Index, Svenska Handelsbanken, July, 1935. Pp. 12.
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SAWKINS, D. T. *International comparisons of the cost of living.* Econ. Record, June, 1935. Pp. 7.

WHELDEN, C. H., JR. *An index of business activity—manufacturing values and payrolls.* Harvard Bus. Rev., Summer, 1935. Pp. 10.

WILKS, S. S. *Test criteria for statistical hypotheses involving several variables.* Jour. Am. Stat. Assoc., Sept., 1935. Pp. 12.

Industries and Commerce

The following bulletins of the Trade Information Series issued by the Department of Commerce have been published: No. 824, *Chemical Developments in Foreign Countries, 1934,* Supplement to Bulletin No. 823 (pp. 42, 5c.) ; No. 825, *Industrial Machinery in Principal Foreign Countries,* (pp. 71, 10c.) ; No. 826, *The Balance of International Payments of the United States in 1934,* by A. E. Taylor (pp. 76, 10c.) ; No. 827, *Where China Buys and Sells* (pp. 57).

In the Trade Promotion Series have appeared Bulletin No. 157, *Leather: World Production and International Trade,* by J. G. Schnitzer (pp. 258, 20c.) ; No. 159, *Rubber Regulation and the Malayan Plantation Industry,* by Harrison Lewis, revised by E. G. Holt (pp. 46, 10c.) ; No. 160, *Trading under the Laws of Argentina,* by Joaquin Servera, revised, 1935, by H. P. Crawford (pp. 145, 15c.).

The United States Tariff Commission has published Report No. 100, Second Series, *Crude Phosphates and Superphosphate* (pp. 15, 5c.).

The United States Tariff Commission has also published a *Digest of Trade Data with Respect to Products on Which Concessions Were Granted by the United States in the United States-Swedish Trade Agreement* (pp. 292). This volume contains for each product a brief factual statement setting forth pertinent information concerning production, imports, exports and other trade factors. The data presented, however, relate only to those products on which concessions were made by the United States.

Among the recent publications of the Agricultural Adjustment Administration are G-41, *The Processing Tax* (September, 1935, pp. 12) ; G-42, *Facing the Facts in the Agricultural Situation* (September, 1935, pp. 13) ; G-43, *World Cotton Markets* (September, 1935, pp. 8) ; G-46, *Opportunities Ahead for Rural Youth* (August, 1935, pp. 8). Each of the foregoing bulletins contains brief bibliographical references.

The federal Department of Agriculture has published Circular No. 354, *The Farm Real Estate Situation, 1933-34,* by B. R. Stauber (April, 1935, pp. 44, 5c.).

The Bureau of Agricultural Economics of the federal Department of Agriculture, under date of November 4, released a mimeographed report on *The Agricultural Outlook for 1935-36.* This was prepared by the staff of the Bureau of Agricultural Economics, assisted by representatives of state agricultural colleges, extension service, and Agricultural Adjustment Administration. The publication will be available in printed form at an early date.

The message from President Roosevelt transmitting a *Report on the Conditions and Problems of the Cotton Textile Industry* has been printed as Senate Document No. 126, 74th Congress, 1st Session (August, 1935, pp. 154).

The summary Report of the Federal Trade Commission to the Senate of the United States on *Economic, Financial, and Corporate Phases of Holding and Operating Companies of Electric and Gas Utilities* has been published in two parts as Senate Document 92, Part 72-A and Part 73-A, 70th Congress, 1st Session (1935, pp. 882, 218).

Labor

The bulletin published by the federal Department of Labor entitled *Trend of Employment* now appears under the title *Employment and Pay Rolls.*

The Women's Bureau of the federal Department of Labor has published the following bulletins:

No. 109, *The Employment of Women in the Sewing Trades of Connecticut: Hours and Earnings, Employment Fluctuation, Home Work,* by Caroline Manning and H. A. Byrne (pp. 45, 5c.).

No. 132, *Women Who Work in Offices,* by H. A. Byrne (pp. 27, 5c.).

The Department of Labor of New York has published Special Bulletin No. 185, covering *Court Decisions on Workmen's Compensation Law, January, 1929-July, 1935* (pp. 579).

Public Finance

The Hearings before the House Committee on Ways and Means, held July 8-13, 1935, have been printed under the title *Proposed Taxation of Individual and Corporate Incomes, Inheritances and Gifts* (pp. 353).

The Income Section of the Division of Economic Research of the Department of Commerce has released *National Income Increased by Five Billion Dollars in 1934,* which originally appeared in the August issue of the *Survey of Current Business.* The November issue of this journal carries an article on national income produced. It is also announced that a volume will soon appear presenting the national income estimates in complete detail for the years 1929 to 1934, inclusive.

The Municipal Statistics Division of the Wisconsin Tax Commission in Bulletin No. 69 has analyzed the *Long-Term Indebtedness of the State and Its Political Subdivisions, 1934* (August, 1935, pp. 12).

The Special Report of the New York State Tax Commission, No. 9, is a study of *State Grants-in-Aid,* by R. J. Hinckley, research investigator of the Commission (1935, pp. 221).

NOTES

The fiftieth anniversary meeting of the AMERICAN ECONOMIC ASSOCIATION will be held in New York, December 26-28, with headquarters at the Hotel New Yorker. The preliminary program has been arranged as follows:

Thursday, December 26

2:30 P.M. FIRST SESSION

1. Recovery, 1933-35: Distinguishing Characteristics—chairman, John T. Madden, New York University

   Papers: Garfield V. Cox, University of Chicago, "General Aspects of Recovery"; Isador Lubin, Commissioner of Labor Statistics, "The Recovery and Labor"

   Discussion: Willford I. King, New York University; Lionel D. Edie, Edie-Davidson, Inc.; T. J. Kreps, National Recovery Administration

2. The Problem of Rigid *vs.* Flexible Prices—chairman, Rexford G. Tugwell, Undersecretary of Agriculture

   Papers: Willard L. Thorp, Advisory Council, National Recovery Administration; Gardiner C. Means, Department of Agriculture; Ralph C. Epstein and John D. Sumner, University of Buffalo; "Prices and Earnings in Regulated and Unregulated Industries"; Spurgeon Bell, Federal Home Loan Bank Board, "Relation of Size of Plants to Price Rigidity"

   Discussion: F. C. Mills, Columbia University

5:00 P.M. MEETING OF THE EXECUTIVE COMMITTEE

8:00 P.M. SECOND SESSION

1. A Fifty-year Perspective in Economic History (joint meeting with the Business Historical Association)

   Papers: Herbert von Beckerath, University of North Carolina, "Fifty Years of Development in Industrial Organization"; N. S. B. Gras, Harvard University, "Chief Aspects of American Business in the Last Half Century"

   Discussion: Anne Bezanson, University of Pennsylvania; E. J. Hamilton, Duke University

2. Free Competition *vs.* Controlled Competition—chairman, Leon Henderson, Economic Adviser, Senate Committee on Manufactures

   Papers: Henry Simons, University of Chicago, "The Requisites of Free Competition"; Donald H. Wallace, Harvard University, "Imperfect Competition and Public Policy"; Gustav Seidler, National Recovery Administration, "The Problem of Controlled Competition"

   Discussion: Abraham Berglund, University of Virginia; Arthur R. Burns, Columbia University; Albert Abrahamson, Works Progress Administrator, Maine

Friday, December 27

9:00 A.M. BUSINESS MEETING (Reports of Officers and Committees, etc.)

10:00 A.M. THIRD SESSION

1. Banking Problems

   Papers: John H. Williams, Harvard University, "The New Banking Act"; Jacob Viner, University of Chicago, "Recent Governmental Policies and the Banking System"

Discussion: E. A. Goldenweiser, Federal Reserve Board; Frederick A. Bradford, Lehigh University; H. H. Preston, University of Washton

2. Capital Formation (Round Table)—chairman, Alvin S. Johnson, New School for Social Research

   Discussion: Harold G. Moulton, Brookings Institution; David Friday, Domestic and Foreign Investors Corporation; Simon Kuznets, National Bureau of Economic Research; David Cushman Coyle, New York City; Gustav Kleene, Trinity College; A. B. Wolfe, Ohio State State University

3. Problems of an Integrated System of Unemployment Relief (Round Table)—chairman, Joseph H. Willits, University of Pennsylvania

   Papers: Ewan Clague, Philadelphia School of Social Work; E. M. Burns, Columbia University

   Discussion: William Haber, State Emergency Relief Administration, Michigan; Alan Sweezey, Harvard University

2:30 P.M. FOURTH SESSION

1. Prospects for International Trade in American Farm Products

   Papers: "A.A.A. Production Control and International Trade"; "Reciprocal Trading Agreements including Farm Products"

   Discussion: John D. Black, Harvard University

2. America's Power to Produce and to Consume (Round Table)—chairman, Evans Clark, Twentieth Century Fund

   Discussion: E. G. Nourse, Brookings Institution; Walter Rautenstrauch, Columbia University; Walter N. Polakov, Works Progress Administration; Raymond T. Bye, University of Pennsylvania; Morris A. Copeland, University of Michigan

8:00 P.M. FIFTH SESSION—chairman, F. W. Taussig, Harvard University

   Papers: Richard T. Ely, Institute for Economic Research, "Founding and Early History of the American Economic Association"; Emil Lederer, New School for Social Research, "Developments in European Economics"; J. M. Clark, Columbia University, Presidential Address, "American Economics: Past Achievements and Present Prospects"

Saturday, December 28

9:00 A.M. BUSINESS MEETING (Election of Officers, etc.)

10:00 A.M. SIXTH SESSION

1. Problems in Public Finance—chairman, R. M. Haig, Columbia University

   Papers: Harley L. Lutz, Princeton University, "The New Tax Legislation"; Clarence Heer, University of North Carolina, "Relations between Federal, State, and Local Finances"; Mabel Newcomer, Vassar College, "Relations of Central and Local Finances in England and Germany"

   Discussion: Carl Shoup, Columbia University; James W. Martin, University of Kentucky

2. Planning for Stabilization *vs.* Adjusting to Instability

   Papers: A. F. Hinrichs, Bureau of Labor Statistics, "Planning for a More Stable Economy"; S. H. Slichter, Harvard University, "Adapting an Economy to Fluctuations"

Discussion: George Soule, *The New Republic;* Harry W. Laidler, League for Industrial Democracy; Edward Heimann, New School for Social Research

3. Transportation Problems (Round Table)—chairman, I. Leo Sharfman, University of Michigan

12:00 M. MEETING OF THE EXECUTIVE COMMITTEE

2:30 P.M. SEVENTH SESSION

1. Fifty Years' Developments in Allied Fields—chairman, Morris R. Cohen, College of the City of New York

Papers: C. E. Ayres, University of Texas, "Fifty Years' Developments in Ideas of Human Nature and Motivation"; John R. Commons, University of Wisconsin, "Institutional Economics"; K. N. Llewellyn, Columbia University, "Developments in Underlying Legal Institutions"

Discussion: Willard E. Atkins, New York University; E. S. Robinson, Yale University

2. Equivalents for Value Theory in a Collectivist Economy—chairman, Harry W. Laidler, League for Industrial Democracy

Papers: F. H. Knight, University of Chicago, "The Place of Marginal Economics in a Collectivist Economy"; Alexander Gourvitch, Washington, D.C., "Economic Accountancy in Soviet Russia"

Discussion: Calvin B. Hoover, Agricultural Adjustment Administration; Michael Florinsky, Columbia University; William Orton, Smith College

3. Effect of New Deal Legislation on Industrial Relations (Round Table) —chairman, David A. McCabe, Princeton University

Discussion: Harry A. Millis, University of Chicago; Edward S. Cowdrick, New York City; David J. Saposs, New York City; Carroll R. Daugherty, University of Pittsburgh; William M. Leiserson, National Board of Mediation

7:00 P.M. DINNER MEETING—toastmaster, Frank A. Fetter, Princeton University

Speakers: J. B. Clark, Columbia University; E. R. A. Seligman, Columbia University; F. W. Taussig, Harvard University; David Kinley, University of Illinois; Davis R. Dewey, Massachusetts Institute of Technology; Francis Walker, Federal Trade Commission; W. A. Mackintosh, Queen's University

The following names have been added to the membership of the AMERICAN ECONOMIC ASSOCIATION since August 1:

Ashley, R. L., 685 Prospect Sq., Pasadena, Calif.
Brown, D., 20 Alexandria Pike, Newport, Ky.
Burns, J. J., Dept. of Economics, Nazareth College, Kalamazoo, Mich.
Egle, W., Rockford College, Rockford, Ill.
Elias, A. C., Casilla No. 37, San Vicente, Canete, Peru.
Goudriaan, J., Parklaan 11, Eindhoven, Holland.
Harlan, C. L., Div. of Crop and Live Stock Estimates, U. S. Dept. of Agric., Washington, D.C.
Hogenson, P. T., Bradley Polytechnic Institute, Peoria, Ill.
Hower, R. M., Baker Library, Soldiers Field, Boston, Mass.
Hoyle, H., Dept. of Labor and Industry, Harrisburg, Pa.
Hunsberger, W. S., 2841 Yale Station, New Haven, Conn.
Hunt, P., Sheffield Hall, Yale University, New Haven, Conn.
Jones, T. C., Independence Fund of North America, Inc., 1 Cedar St., New York City.

Koechlin, J. E., Hacienda "Santa Barbara," Cerro Azul, Peru.
Kossoris, M. D., 921 19th St., N.W., Washington, D.C.
Laidler, H. W., 218 Garfield Pl., Brooklyn, N.Y.
Lieson, W. A., 175 Maple St., Springfield, Mass.
McConnell, D. W., New York University, Washington Square College, New York City.
McEldowney, J. R., Chase Hall, Harvard Graduate School of Business Administration, Cambridge, Mass.
Oehler, C., 15 Broad St., New York City.
Poole, W. H., 11225 97th St., Edmonton, Alberta, Canada.
Ratcliffe, R. U., Federal Housing Administration, Washington, D. C.
Rieve, E., 2319 N. Broad St., Philadelphia, Pa.
Schwenger, R. B., 2410 20th St., N.W., No. 106, Washington, D.C.
Shepherd, H. L., 1739 N St., Washington, D.C.
Smith, E. D., Pratt Institute, S. and T., Brooklyn, N.Y.
Smith, R. S., 681 College Station, Durham, N.C.
Soldinger, M. A., 100 W. McLeod Ave., Ironwood, Mich.
Sorrell, L. C., 38 S. Dearborn St., Chicago, Ill.
Warne, C. E., Amherst College, Amherst, Mass.
Warner, W. J., 237 N. Liberty St., Delaware, Ohio.

The Cornell University Press announces the publication of *The Economics of Alfred Marshall* by H. J. Davenport. The book is priced at $4.00, but is available to members of the AMERICAN ECONOMIC ASSOCIATION at $3.50 if ordered direct from the press at Ithaca, New York.

Nothwithstanding the liquidation of the Harvard Economic Society, arrangements have been made for continuing the *Review of Economic Statistics*. This will be published quarterly and will contain, as before, the Harvard index chart, quarterly reviews of business conditions in the United States and other countries, and important statistical series.

The National Association of Marketing Teachers has begun the publication of the *National Marketing Review*. The first issue appeared in the summer of 1935. The following list of editors is announced: Nathanael H. Engle, Washington, D.C., managing editor; Neil H. Borden, Harvard University; Hugh B. Killough, Brown University; John W. Wingate, New York University; Leverett S. Lyon, Brookings Institution; Theodore N. Beckman, Ohio State University; Edmund P. Learned, Harvard University; Malcolm D. Taylor, University of North Carolina; Hugh E. Agnew, New York University. (Publication address: 332 South Michigan Ave., Chicago, Ill.)

The China Institute of International Relations, the Pan-Pacific Association of China and the Institute of Social and Economic Research have joined in the publication of *The China Quarterly*. The first issue appeared in September, 1935. (Address: 59 Hongkong Road, Room 306, Shanghai, China, $3.00.)

The first number of *Franklin Lectures,* a monthly series of graduate school dissertations of various colleges, appeared in June, 1935. This contained "The High Wage Theory of Prosperity," by Robert C. Weaver of Harvard University, with many bibliographical notes. (Franklin Lectures, Inc., Sunapee, N.H., $3.50 per annum.)

The British Library of Information (270 Madison Ave., New York City) has begun the publication of a selected list of British government documents recently published by H. M. Stationery Office. These lists appear in mimeographed form. Among the items of economic interest are those related to agriculture and fisheries, trade and industry, and economics and social service.

The National Public Housing Conference is publishing a bulletin on *Public Housing Progress* (112 E. 19th St., New York City).

At the meeting of the International Executive Council of the World Power Conference held at The Hague on July 17 it was decided to terminate the publication of *World Survey*.

The Social Science Research Council has announced the award of eight pre-doctoral fellowships for graduate study. These fellowships provide $1,000 and tuition charges; and fellows are required to devote their full time to graduate study in some other institution than that in which they received their undergraduate training. The closing date for the receipt of applications for 1936-37 is March 15, 1936. Inquiries should be addressed to the Social Science Research Council, 230 Park Avenue, New York.

Among the appointments for study in the field of economics for 1935-36 are the following: Rollin F. Bennett, Princeton University, for study at Columbia University; John D. Gaffey, Ohio State University, for study at Columbia University; Sara Gamm, Northwestern University, for study at the University of Chicago; Michael L. Hoffman, Oberlin College, for study at the University of Chicago; Paul A. Samuelson, University of Chicago, for study at Harvard University.

The closing dates for receipt of applications for research training fellowships and grants-in-aid of research in the social sciences for 1936-37 offered by the Social Science Research Council are December 1, 1935, for pre-doctoral field fellowships and post-doctoral research training fellowships, and January 15, 1936, for grants-in-aid of research.

The eighth annual conference of the Southern Economic Association was held at Chapel Hill and Durham, North Carolina, November 7-9. Among the papers presented were the following: "Sources and Distribution of Income in the South," by E. Z. Palmer, University of Kentucky; "Effect of Southern Tax Policies on the Distribution of Income," by C. P. White, University of Tennessee; "Status and Future of Farm Tenantry," by C. H. Hamilton, North Carolina State College; "Effect of Current International Trade Conditions and Foreign Agricultural Development on Southern Agriculture," by Abraham Berglund, University of Virginia; "Diversification, Subsistence Farming, and Agrarianism," by T. J. Cauley, Georgia School of Technology; "Labor Relations in the South," by Robin Hood, Brookings Institute; "Negroes in Southern Industry," by G. S. Mitchell, Columbia University; "The NRA and Industrial Relations in Virginia," by A. B. Pinchback, University of Richmond; "The Consumer and Agricultural Adjustment," by Calvin Hoover, United States Department of Agriculture and Duke University; "Controls Exercised through Monetary Policy," by E. J. Hamilton, Duke University; "Controls Exercised through Banking Policy," by H. B. Dolbeare, University of Florida; "Controls Exercised through Public Expenditures," by E. M. Bernstein, University of North Carolina.

The American Association of Collegiate Schools of Business has elected the following officers for the year 1935-36: president, Dean Walter J. Matherly, University of Florida; vice-president, Dean Walter C. Weidler, Ohio State University; secretary-treasurer, Dean Charles C. Fichtner, University of Arkansas; executive committee, in addition, Dean Charles L. Raper, Syracuse University; Dean Charles M. Thompson, University of Illinois.

Appointments and Resignations

Charles W. Allison is instructor in accounting at the University of Utah.

Albert Abrahamson has been granted an extension of his leave of absence from Bowdoin College to serve as director of the WPA in Maine.

J. Ellwood Amos, formerly instructor in economics in the Johnstown Center of the University of Pittsburgh, has been appointed instructor in economics at the University of Pittsburgh.

G. L. Amrhein has been made assistant professor at Wharton School, University of Pennsylvania.

Willard E. Atkins of New York University taught in the graduate school of banking of the A. I. B. at Rutgers University during the summer.

Herbert von Beckerath, recently of the University of Bonn, is teaching at the University of North Carolina during the current year.

D. M. Beights has been appointed successor to H. W. Gray, professor of accounting at the College of Business Administration of the University of Florida.

E. M. Bernstein has been transferred from North Carolina State College of Agriculture and Engineering to the University of North Carolina at Chapel Hill with the rank of associate professor of economics.

Roy G. Blakey of the University of Minnesota has been appointed chief of the Division of Economic Research of the United States Bureau of Foreign and Domestic Commerce.

Henry W. Blalock of the School of Business Administration at the University of Arkansas has been promoted to the rank of associate professor of rural economics.

E. L. Bogart, head of the department of economics at the University of Illinois, has been granted leave of absence for the second semester of the academic year for the purpose of collecting material for an economic history of modern Europe. He expects to divide his time between the Continent and Great Britain.

Dean O. Bowman is instructor in economics and political science at Purdue University.

Raymond T. Bowman, assistant professor of economics in the Wharton School, is on leave in order to participate in the work of the State Emergency Relief Association of Pennsylvania.

Harry G. Brainard is assistant professor in economics at The Citadel, Charleston, South Carolina.

Paul F. Brissenden is one of the economic advisers of the National Recovery Administration.

J. Douglas Brown of Princeton University is serving as consultant to the New Jersey Social Security Commission now engaged in preparing recommendations for state coöperation with the Federal Social Security act.

D. H. Buchanan has been appointed professor of economics at the University of North Carolina.

Roy J. Bullock has been promoted from the rank of instructor to that of associate in the department of political economy of Johns Hopkins University.

J. P. Bursk has been promoted to an associate professorship at the Wharton School, University of Pennsylvania.

Benjamin Caplan, formerly with the National Bureau of Economic Research, has been appointed instructor in economics at Ohio State University.

William J. Carson has been promoted to the rank of associate professor at the Wharton School, University of Pennsylvania, and has leave of absence for the first term in order that he may continue to serve as executive secretary of the Central Statistical Board at Washington.

John M. Cassels has returned to the department of economics at Harvard University as instructor and tutor after a year of study in Europe.

Melvin G. de Chazeau, associate professor of commerce and business administration at the University of Virginia, has returned for the academic session of 1935-36.

J. C. Clendenin, formerly of the University of California at Los Angeles and economist of the Los Angeles Stock Exchange, has been appointed instructor in economics and business administration at the State College of Washington.

H. E. Cooper has been promoted from the rank of instructor to that of associate in the department of political economy of Johns Hopkins University.

Morris A. Copeland has returned to the University of Michigan after a leave of two years, spent as executive secretary of the Central Statistical Board in Washington.

Virgil D. Cover, has been appointed instructor in economics at the School of Business Administration of the University of Arkansas.

D. J. Cowden has been appointed acting associate professor of economics at the University of North Carolina, where he succeeds W. F. Ferger.

Revis Cox, formerly of Columbia University, has been appointed associate professor of marketing in the Wharton School, University of Pennsylvania, and is serving this year as chairman of the department of marketing.

John B. Crane has returned to the department of economics at Harvard University as instructor and tutor after a year as a Social Science Research Fellow.

Mary M. Crawford has been appointed assistant in economics and sociology at Barnard College.

W. Rex Crawford has been promoted to an associate professorship at the Wharton School, University of Pennsylvania.

W. R. Curtis of the University of Illinois has been appointed to the staff of the department of economics at the University of Alabama.

Edward G. Daniel is an instructor and tutor in the department of economics at Harvard University.

Noobar R. Danielian of the department of economics at Harvard University is financial and utility expert of the Federal Communications Commission.

Malcolm M. Davisson has been promoted to the rank of assistant professor of economics at the University of California, Berkeley.

Ralph L. Dewey has resigned from the department of economics of Ohio State University to take charge of transportation statistics for the Census of Business of the United States Bureau of the Census.

James C. Dolley has been promoted from the rank of associate professor to that of professor of banking and investments in the University of Texas.

Paul H. Douglas of the University of Chicago is in Europe until the spring of 1936.

William M. Duffus has resigned as economist for the United States Tariff Commission to return to his duties as professor of business finance at Ohio State University.

Walter Egle of the University of Kiel has been appointed professor of economics at Rockford College.

Howard S. Ellis has returned to the University of Michigan as associate professor after a leave of two years on a Social Science Research Fellowship in Vienna, where he carried on research in exchange control.

G. Heberton Evans, Jr., has been promoted from the rank of associate to associate professor in the department of political economy of Johns Hopkins University.

John B. Ewing has returned to his regular duties on the economics faculty at the University of Oklahoma after serving as State NRA Labor Compliance Officer in Oklahoma and as WPA Supervisor of Labor Management.

E. D. Fagan of the department of economics at Stanford University is spending his sabbatical year in research and study at Harvard University.

William E. Folz has been appointed assistant professor of business administration at the University of Idaho.

Morris E. Garnsey is an instructor and tutor in the department of economics at Harvard University.

Wilson Gee, professor of rural economics at the University of Virginia, gave courses in this subject during the past summer at the New York State Teachers College in Buffalo.

E. A. Gilmore, Jr., instructor in economics at the University of Southern California, has been appointed assistant professor of economics at the University of Nebraska.

W. H. Glasson has resumed his duties as chairman of the economics department at Duke University.

Erwin Graue has been promoted to a full professorship in the department of economics at the University of Idaho.

A. F. Halterman, formerly of the accounting staff of the University of California and St. Mary's College, Oakland, is instructor in business administration at the State College of Washington.

A. H. Hansen, who has been in the Trade Agreement Section of the State Department during the past year, has resumed his duties at the University of Minnesota.

H. Gordon Hayes has returned to Ohio State University from service as chief of the division of economic research of the United States Bureau of Foreign and Domestic Commerce.

Leo C. Haynes has been promoted from an instructorship to an assistant professorship in business administration at the University of Texas.

J. Edward Hedges has joined the staff of the department of economics at Emory University.

Richard B. Heflebower, associate professor of economics at the State College of Washington, has been named acting director of the School of Business Administration at that institution.

W. R. Hockenberry has been promoted to an associate professorship at the Wharton School, University of Pennsylvania.

John A. Hogan, of the University of Washington and editor of the *Labor Information Bulletin* of the United States Bureau of Labor Statistics, is an instructor in economics at the University of Denver.

Grenville R. Holden is an instructor and tutor in the department of economics at Harvard University

Paul T. Homan has returned to the department of economics at Cornell University after an absence of two years spent at the Brookings Institution.

Calvin B. Hoover has left his position as Consumers' Counsel of the Agricultural Adjustment Administration to return to his duties as professor of economics at Duke University.

George Hunsberger, who held a joint fellowship from the University of Virginia and the Brookings Institution during the academic year 1934-35, has been appointed instructor in the School of Business Administration at the University of Arkansas.

Asher Isaacs has been promoted to the rank of associate professor of economics at the School of Business Administration, University of Pittsburgh.

Clifford L. James resigned from his position with the United States Tariff Commission to resume his duties with the department of economics at Ohio State University.

F. Cyril James has been promoted to a full professorship of finance at the University of Pennsylvania.

Edward G. Keith is an instructor and tutor in the department of economics at Harvard University.

Lester Kellogg has resigned his position at the University of Buffalo to become an assistant professor of statistics in the department of business organization at Ohio State University.

M. Slade Kendrick has returned to the department of economics at Cornell University after a year and a half as chief of the Ways and Means Section of the AAA.

Charles J. Kiernan has been promoted to the rank of associate professor of economics in the School of Commerce, St. John's University, Brooklyn, New York.

C. Arthur Kulp, professor of insurance at the Wharton School, University of Pennsylvania, has been granted leave of absence to serve as assistant director of the Committee on Economic Security, which is making a study under the auspices of the Social Science Research Council.

Russell C. Larcom has been appointed instructor in the department of economics at Massachusetts State College.

Joseph N. Leinbach has been appointed instructor in economics at the Johnstown Center of the University of Pittsburgh.

L. J. Long, for several years a member of the staff of the department of economics at the University of Illinois, is teaching at Allegheny College.

W. N. Loucks has been promoted to an associate professorship at the Wharton School, University of Pennsylvania.

Leslie Lovass, formerly with the Brookings Foundation at Washington, is now with the United States Tariff Commission.

Samuel J. Lukens, instructor in economics at the University of Pittsburgh, has been granted a year's leave of absence to continue his graduate work at the University of Michigan.

George K. McCabe has resigned as assistant professor of economics at the University of Pittsburgh to become associate professor of economics and acting head of the department at the Catholic University.

George A. MacFarland has been promoted to a full professorship of finance at the University of Pennsylvania.

C. Ward Macy of Coe College, is on leave of absence for the year 1935-36, serving as visiting professor of economics at the University of Florida.

James D. Magee of New York University visited Norway and Sweden during the summer to study the recovery in those countries for the Brookings Institution.

F. R. E. Mauldon of the University of Melbourne has been appointed to the chair of economics in the Tasmanian University and economic adviser to the Tasmanian government.

Lewis Maverick, associate professor of economics, has been appointed chairman of the department of economics in the University of California at Los Angeles.

Charles H. Maxson has resigned from the faculty at Wharton School, University of Pennsylvania.

John Perry Miller has been appointed instructor in the department of economics and social institutions at Princeton University.

Donald E. Montgomery, assistant director of the Consumers' Counsel Division, succeeds Dr. Calvin B. Hoover as Consumers' Counsel of the Agricultural Adjustment Administration.

James C. Nelson, who was last year acting assistant professor of commerce and business administration at the University of Virginia, has accepted a position in the transportation division of the Department of Public Service of the State of Washington.

A. J. Nichol has resumed his duties at Duke University after a year's leave as Sterling Fellow in economics at Yale University.

C. Rollin Niswonger has resigned as instructor of accounting at the State College of Washington to become assistant professor of accounting at Miami University.

Howard S. Noble has been appointed dean of the newly established College of Commerce at the University of California at Los Angeles.

Lawrence Pasel, assistant professor of economics at St. Lawrence University, has been granted a leave of absence to accept a position with the Resettlement Administration in Washington, D.C.

Ernest F. Penrose of the Food Research Institute, Stanford University, has been added to the staff at the University of California, Berkeley, as lecturer in economics.

J. C. Pettee of the University of Illinois has been appointed instructor in economics at West Virginia University.

Robert B. Pettengill has resigned as acting instructor in economics at Stanford University and has accepted the position of assistant professor of economics at the University of Southern California.

W. C. Plummer of the Wharton School, University of Pennsylvania, is serving as assistant to the director of the Works Progress Administration.

Spencer D. Pollard is instructor and tutor in the department of economics at Harvard University.

Claude E. Puffer, formerly with the National Power Survey, has been appointed instructor in economics at the University of Pittsburgh.

B. U. Ratchford of Duke University has been promoted to the rank of assistant professor of economics. During the past summer he served as agricultural economist, Consumers' Counsel, in the Agricultural Adjustment Administration.

Joseph E. Reeve of the University of Chicago has been appointed instructor at Carleton College.

Lloyd P. Rice has returned to his teaching at Dartmouth College after spending the past year with the Economics Division of the United States Tariff Commission.

John W. Riley, Jr., of Marietta College is teaching in the department of economics and sociology at Wellesley College.

Roderick H. Riley has resigned from the Trade Practice Studies Section of the NRA Division of Review to accept an appointment as assistant professor of economics at the University of Texas.

Robert Schultz is associate professor of business administration at Roanoke College.

Harry L. Severson, research assistant at the University of Chicago, has been appointed associate professor of economics at the Municipal University of Omaha.

Carl S. Shoup is serving as director of a survey of taxes in the United States, a study being made under the auspices of the Twentieth Century Fund.

Casimir A. Sienkiewicz has been appointed a lecturer in finance *pro tem* at the Wharton School, University of Pennsylvania.

C. Aubrey Smith has returned to his position as associate professor of accounting at the University of Texas.

Donald M. Smith of the University of Chicago has been appointed instructor in economics at Morningside College, Sioux City, Iowa.

Raymond F. Smith of the University of Illinois is teaching general economics at Loyola University.

Frank A. Southard, Jr., has returned to the department of economics at Cornell University after a year's leave of absence, part of which was spent completing a collaborative study of Canadian-American industry for the Carnegie Endowment and part with the United States Tariff Commission.

A. Eugene Staley has resumed his work at the University of Chicago after a year spent at the Institute Universitaire de Hautes Etudes Internationales at Geneva and in travel in Europe.

H. Louise Stitt has resigned from the department of economics at Ohio State University to accept a position with the minimum wage division of the Women's Bureau of the United States Department of Labor.

Craig T. Stockdale has been appointed instructor in economics at Cornell University.

John R. Stockton has been appointed assistant professor of business administration at the University of Texas.

Hurford E. Stone has been appointed assistant professor of economics at the University of California at Los Angeles.

Roland Stucki of Stanford University is teaching elementary courses in economics and statistics at the University of Utah.

Sidney C. Sufrin, formerly economist for the labor inventory section of the F.E.R.A., has been appointed instructor in economics at Ohio State University.

S. B. Sweeney of the Wharton School, University of Pennsylvania, is serving as assistant to the director of the Works Progress Administration.

Overton H. Taylor is an assistant professor in the department of economics at Harvard University.

David J. Teviotdale, associate professor of transportation at the University of Kansas, has been granted an extension of leave to serve as assistant director of the Kansas State Planning Board.

Cecil Tilton, associate professor at Connecticut State College, is spending his sabbatical leave in Japan, Manchuria and China.

Lawrence W. Towle has resigned from his position at Colgate University to accept an associate professorship in economics at Lawrence College.

Glen R. Treanor of the University of Minnesota will assist the United States Tariff Commission in connection with its trade agreement work.

Mary B. Treudley of the department of economics and sociology at Wellesley College is on leave during the present year.

Leslie T. Tupy, associate professor of accounting at the University of Kansas, continues on leave during 1935-36 to serve on the legal and accounting staff of the Kansas Corporation Commission.

Arthur P. L. Turner has been appointed instructor in economics at Bowdoin College.

F. W. Tuttle has resigned as head of the department of economics and business administration at Southwestern College, Winfield, Kansas, to become assistant professor of economics in the College of Business Administration at the University of Florida.

Lyder L. Unstad of Ohio State University is head of the department of economics at Alma College.

Arthur Upgren, who has been in the Trade Agreement Section of the State Department, has returned to the University of Minnesota.

Clarence L. Van Sickle has been promoted to the rank of associate professor of accounting at the School of Business Administration, University of Pittsburgh.

Eugene Vinogradoff has been appointed instructor in economics at the Erie Center of the University of Pittsburgh.

Victor E. Vraz of the College of Business Administration, University of Nebraska, has resigned to accept a position in the United States Department of Commerce.

Frank Traver deVyver of Princeton University has been appointed instructor in the department of economics and business administration at Duke University. During the summer Dr. deVyver taught at the University of North Carolina.

Dilworth Walker, professor of economics at the University of Utah, is giving part of his time to the Planning Board of the State of Utah.

Robert F. Wallace has been appointed assistant instructor in economics at the University of Kansas.

Clark Warburton is now with the Federal Deposit Insurance Corporation, Washington, D.C.

W. E. Warrington has been made an assistant professor at the Wharton School, University of Pennsylvania.

Arthur M. Weimer, formerly of Alma College and recently with the Federal Housing Administration, has been appointed associate professor of economics at the Georgia School of Technology.

Carl J. Whelan, formerly of Princeton University, is now with the United States Tariff Commission.

Horace G. White, Jr., has resigned as instructor in economics at Cornell University to accept an appointment as assistant to Dr. Jacob Feis, Economic Adviser of the State Department.

Robert Alan White has been appointed to an instructorship in the School of Business Administration at the University of Texas.

F. S. Wilder has been appointed instructor in economics at the University of North Carolina.

Brayton F. Wilson is an instructor and tutor in the department of economics at Harvard University.

J. P. Wilson has resigned from the College of Business Administration at the University of Florida to accept a position with the Southeastern Division of the Resettlement Administration.

Parker B. Willis is assistant professor in the department of economics at the University of Vermont.

H. D. Wolf has resumed his work in labor economics at the University of North Carolina, following a leave of absence as regional labor adviser under the Works Progress Administration.

Donald R. Young has been promoted to a full professorship at the University of Pennsylvania.

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